



North Tyneside Council



DRAFT

**STATEMENT OF
ACCOUNTS**

2010/11

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Cabinet as at 30 June 2011

Member	Portfolio
1. Mrs L Arkley	Elected Mayor
2. Councillor J Wallace	Finance
3. Councillor G Barrie	Leisure, Culture, Tourism & Safer Communities
4. Councillor P McIntyre	Engagement and the Environment
5. Councillor P Mason	Housing
6. Councillor D Lilly	Children, Young People & Learning
7. Councillor L Miller	Adult Social Care
8. Councillor G Westwater	Regulatory Services
9. Councillor E Hodson	Transport & the Green Environment

Foreword of the Chief Finance Officer

1 Introduction

A published and audited Statement of Accounts is at the heart of ensuring proper accountability for the use of local and national taxpayers money. However, we recognise that the Council's Accounts can only tell part of the story. The Council also needs to demonstrate that it is aiming to operate to the highest standards of conduct in accordance with the principles of corporate governance and has a robust system of internal control in place. The Accounts bring together our financial position with a summary of our governance arrangements in our Annual Governance Statement (page 124).

This Statement of Accounts details the Council's final accounts for the financial year 1 April 2010 to 31 March 2011. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom'. The Code of Practice constitutes "proper accounting practice" under the terms of the Accounts and Audit Regulations 2011, the Local Government and Housing Act 1989 and, for audit, the Audit Commission Act 1998.

The purpose of this foreword is to offer an easily understandable guide to the most significant matters reported in the Accounts. It provides an explanation in overall terms of the Council's financial position and assists in the interpretation of the financial statements.

The Accounting Statements:

The Council's accounts for the year 2010/11 consist of:

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1 Statement of Responsibilities for the Statement of Accounts	12
This statement discloses the respective responsibilities of the Council and the Chief Finance Officer.	
2 Auditors Report	
The final version of the Accounts will include the external Auditor's opinion on the Accounts.	
3 Comprehensive Income and Expenditure Statement	13
This sets out income and expenditure on services, including the day to day expenses and related income on services and the value of assets consumed during the year.	
4 Movement in Reserves Statement	14
This summarises the difference between the Comprehensive Income and Expenditure Statement and the movements on useable and unuseable reserves.	
5 Balance Sheet	16
This sets out the assets and liabilities of the Council as at the 31 March 2011.	

	Page
6 Cash Flow Statement	17
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital resources.	
7 Notes to the Core Financial Statements	19
These provide a more detailed analysis of the entries in the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.	
8 Housing Revenue Account	96
The Housing Revenue Account reflects a statutory obligation to maintain a separate revenue account for local authority housing. This account shows in detail income and expenditure on council housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. There is a statutory requirement to keep this account separate from the accounts for other Council Services, as defined in Schedule 4 of the Local Government and Housing Act 1989.	
9 Collection Fund Statement	102
This is a statutory requirement that shows all the transactions relating to Council Tax and National Non Domestic Rates (NNDR) and illustrates the way in which they have been distributed to both precepting authorities and the Council's General Fund. The Collection Fund Balances relating only to North Tyneside Council are included within the Balance Sheet of the Council.	
10 Statement of Accounting Policies	106
This statement discloses the accounting policies, which are significant to the understanding of the Statement of Accounts.	
11 Annual Governance Statement	124
This statement sets out the principal arrangements which are in place to ensure a sound system of internal control. The Council is required under statute to conduct a review at least once in each financial year of the effectiveness of its system of internal control.	

2 Summary of the 2010/11 Financial Year

The Council incurs both revenue and capital expenditure each year. Revenue expenditure is usually used to purchase goods and services that are consumed within one year; these are financed from Council Tax, Government Grants, NNDR Pool Contributions and other income such as fees and charges. Capital expenditure is money spent on assets which have a useful life in excess of one year; these are financed by capital receipts and borrowing, grants and contributions.

General Fund

At its meeting of 23 February 2010, Council approved a council tax increase of 2.4% and a total General Fund Revenue Budget of £172.603m for the financial year 2010/11. The budget included pay and price cost pressures of £2.158m and statutory, mandatory or committed pressures of £11.192m. Offsetting these cost pressures were value for money savings of £9.740m. The budget also included a contribution from the Strategic Reserve of £4.064m. During 2010/11 the Council faced reductions in grants that totalled £3.586m (£2.723m revenue and £0.863m capital).

The Dedicated Schools Grant (DSG) received for 2010/11 was £111.364m for North Tyneside (original estimate budget was £111.728m), representing a £4.302m cash increase (4.02%) over 2009/10.

The following table summarises the financial position for the year in the format set out in the Council Tax Leaflet at the start of the year:

Restated
(see overleaf)

2009/10 Actual Outturn £000s		2010/11 Actual Outturn £000s	2010/11 Budget £000s
279,729	Expenditure on all Services	274,642	274,218
12,972	Levies	13,210	13,210
673	Interest payable and income	558	967
(17,184)	Transfers to/(from) reserves	(3,269)	(4,064)
276,190		285,141	284,331
(16,246)	Revenue Support Grant	(11,147)	(11,147)
(107,062)	Dedicated Schools Grant	(111,364)	(111,728)
(81,968)	Council Tax Collection Fund Receipts	(84,602)	(84,602)
(70,384)	National Non Domestic Rates	(76,762)	(76,762)
(394)	Transfer from Collection Fund	(92)	(92)
(276,054)		(283,967)	(284,331)
136	Addition to/(Use of) Balances	1,174	0
11,718	Balances brought forward	11,854	11,854
11,854	Balances carried forward	13,028	11,854

The Local Government Act 2003 imposes a duty on the Council to monitor its budget during the year and to consider what action to take if a potential deterioration in its financial position is identified. In North Tyneside this requirement is met by monthly budget monitoring in Services and bi-monthly monitoring reports to Cabinet. The "Amounts Reported for Resource Allocation Decisions" (Note 3 page 28) is a statement that reconciles the year end outturn report to Cabinet with the Cost of Services included in the Comprehensive Income & Expenditure Statement.

The budget monitoring and management process was effective in the year and allowed all issues arising to be addressed. Overall directorates recorded a small underspend against budgets, although there were variations between and within directorates. A contribution to reserves of £2.513m is proposed, subject to the outcome of the external audit, largely as a result of capitalisation of pension back funding costs that was not

included in the initial budget. Further details on the variations in the budgets at the year end were reported to Cabinet on 13 June 2011.

Restated Accounts

As set out in the introduction, the Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (The Code). This Code is the first to be based on International Financial Reporting Standards (IFRS) and therefore the Accounts represent the first fully IFRS compliant statements. There have been a number of different Accounting Policies adopted as a result of the application of IFRS (the Accounting Policies start on page 106) and the main changes are:

- a) Cash and Cash equivalents (policy 3) – in addition to cash in hand and deposits, this now includes investments that mature within 3 months of deposit which are redeemable with a minimal risk of change in value. It also includes overdraft balances.
- b) Employee Benefits (policy 8) – Benefits Payable during Employment – this covers the accrual of untaken leave and flexi leave as at 31 March.
- c) Government Grants and Contributions (policy 12) – there is a change in the way grants and contributions are recognised in the Accounts. Previously, revenue grants and contributions were recognised in the income and expenditure account when they were spent whereas capital grants and contributions were released over time in line with depreciation. Under IFRS, grants and contributions will be recognised in the Comprehensive Income and Expenditure Statement when there is reasonable assurance that the Council will comply with the conditions of the grant and the grant will be received. Where the grant or contribution has not yet been used, it will be posted to a useable reserve until the expenditure takes place.
- d) Interests in Companies and Other Entities (policy 14) - whilst the criteria used to determine if group accounts are required have changed, our assessment confirms that group accounts are not required.
- e) Investment Property (policy 16) – Investment Property is now shown on the Balance Sheet as a separate category of asset rather than in Property, Plant & Equipment.
- f) Jointly Controlled Operations and Jointly Controlled Assets (policy 17) – A new policy that clarifies accounting for joint arrangements with partners such as Beamish Museum.
- g) Leases (policy 18) – The criteria for the assessment of finance leases has changed under IFRS meaning more leases now fall into this category.
- h) Property, Plant and Equipment (policy 20) – there have been a number of changes in this area. Assets Held for Sale are shown in a separate category on the Balance Sheet and the criteria for this category has been tightened. Componentisation has been introduced for significant property assets, meaning depreciation is charged on individual parts where they are significant.

The changes to the Accounting Policies mean that the comparative accounts also need to be restated as many of the changes are applied retrospectively; i.e. historic

accounting entries are changed. This includes showing a “third balance sheet” as at 1 April 2009.

The Prior Period adjustments leading to the restatements are set out in note 1 on page 19 – this note shows the changes from the figures contained in last year’s published Accounts.

Comprehensive Income & Expenditure Statement

The Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the Council in the direct provision of Services (page 13). The net expenditure of £247.862m (£208.711m 2009/10) is an increase of £39.151m on the previous year. There have been a small number of significant factors which have resulted in this change.

The council housing value has been impaired as a result of the five-year review of the discount factor used in the valuation of council housing. The discount set by CLG increased to 63% from 49% (2005/06-2009/10) and created an impairment charge of £171.095m (£0.230m 2009/10).

The change in the use of the Consumer Price Index (CPI), as opposed to Retail Price Index (RPI), in the 2010 Actuarial valuation of the pension fund, resulted in a net credit to expenditure in the Cost of Services of £93.585m, reducing our expenditure compared to previous years.

In September 2010, 23 schools in North Tyneside became part of a Learning Trust. The accounting entries required to transfer those school assets to the Trust have resulted in a loss on disposal of £117.615m being included in Other Operating Expenditure. Although these schools are no longer held on the Council’s Balance Sheet, they would revert back into Council ownership if certain criteria cease to be met.

In terms of income, Taxation and Non-specific Grant Income fell by £19.687m in total. This fall is mainly due to a reduction in Capital Grants and Contributions.

Balance Sheet

The Balance sheet is set out on page 16. Overall, the Council’s net assets have fallen by £201.136m. Two key areas account for most of this change. Firstly, Long Term Assets has fallen by £253.595m. The movement is analysed in note 17 but the main elements are the impairment of council housing and the transfer of school assets off the Council’s Balance Sheet as mentioned above. Both of these transactions result from the Council following proper practice in preparing the accounts, but do not reflect a reduction in the number or quality of assets available for public use compared to 2009/10.

Secondly, as a member of the Tyne and Wear Pension Fund the Council is required to include in the Balance Sheet its share of the pension fund liability or deficit. This is shown within Long Term Liabilities and for 2010/11 the liability has fallen by £79.215m from the 2009/10 level. The triennial valuation of the fund was completed during 2010 and the reduction in the deficit has arisen due to the change to the use of CPI from RPI in the valuation assumptions.

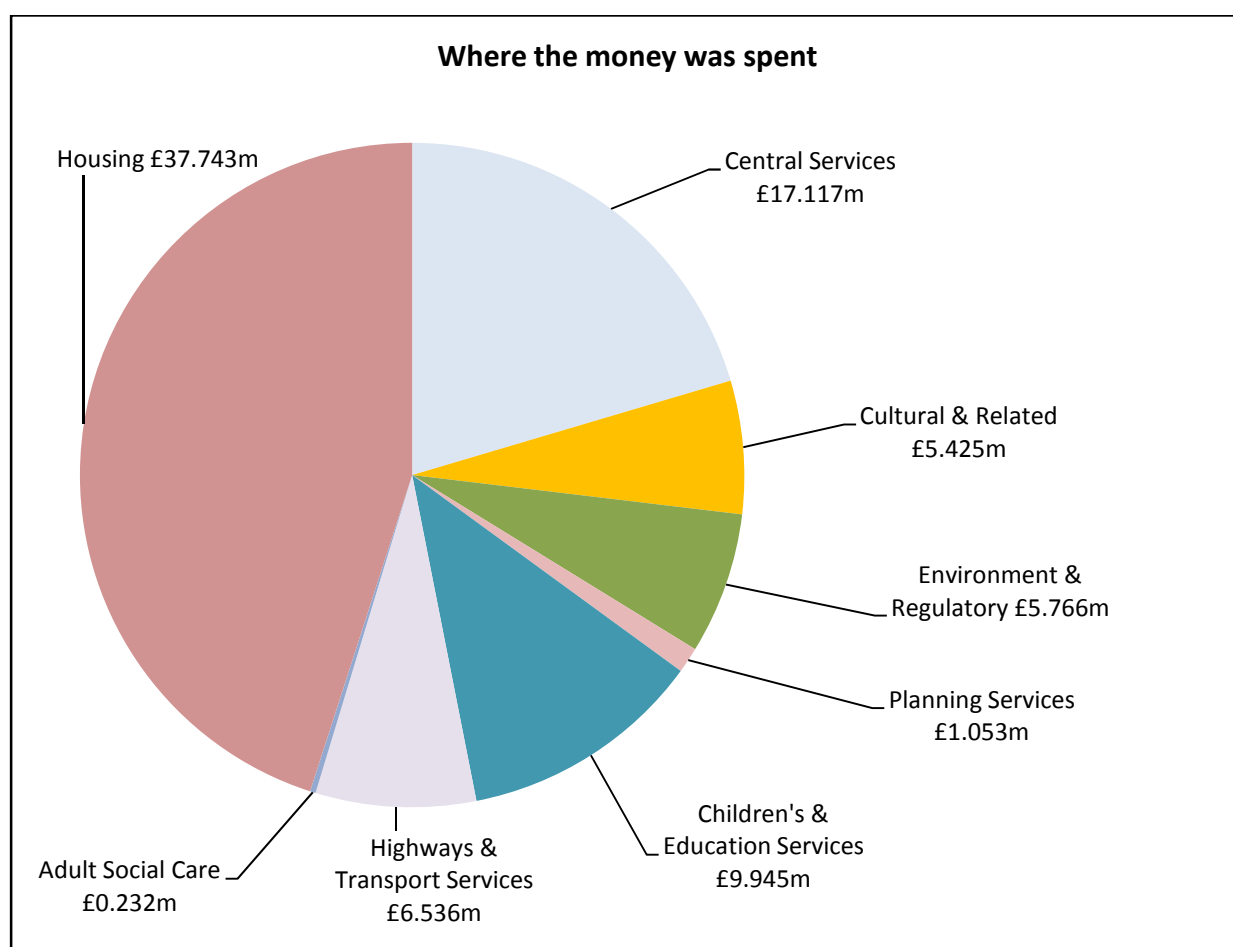
Housing Revenue Account

On 9 February 2010 the Council approved the Housing Revenue Account (HRA) budget which included average rent increases of 2.82% and expenditure of £47.399m, which included a contribution to balances of £0.512m.

The detailed HRA outturn for 2010/11 was reported to Cabinet on 13 June 2011 and showed that a final contribution from working balances was £0.549m higher than the original budget.

Capital Expenditure

The Council spent £83.817m on capital projects (including PFI/finance leases) during 2010/11 (£116.146m during 2009/10). The following chart outlines where the money was spent.



Major schemes within the 2010/11 plan included:

HRA Schemes including the completion of the Decent Homes Standard
Equal Pay, Pensions back-funding and Redundancy Costs
Education and Schools
Local Transport Plan

£000s
35,699
14,191
6,303
4,655

The sources of finance used to fund the capital expenditure are set out in Note 18 on Page 65.

Borrowing Facilities

Section 3 of the Local Government Act 2003 requires the Council to determine its own affordable borrowing requirement necessary to fund capital expenditure. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

The Council set its Authorised Limit for external debt for 2010/11 at £693.279m (£634.853m 2009/10) and its Operational Boundary for external debt at £428.529m (£384.103m 2009/10). All transactions were carried out within these boundaries during 2010/11. As shown in the Balance Sheet, the total short and long term liabilities for borrowing and finance lease balances (including Private Finance Initiative (PFI) are £388.071m (£367.853m 2009/10).

3 Overview and Outlook

The Council's budget monitoring and management systems are an integral part of its planning process. During 2010/11, financial pressures that were identified as part of the budget monitoring process were addressed in year and Council spend was brought in on target. Pressures identified that had implications beyond 2010/11 such as energy and transport costs were brought into the Service and Spending Review process for 2011/12 and the following years.

2011/12

On 3 March 2011 the Council set its General Fund revenue budget for 2011/12 and the ten-year capital plan covering 2011- 2021. The General Fund net revenue budget for 2011/12 (excluding schools) is £175.768m. Whilst this appears to represent an increase of £3.165m (1.83%) from 2010/11, there has been a real reduction in the Council's spending power as Government grant changes of £10.733m were made. The budget included pay and price pressures of £6.563m together with other mandatory and cost pressures of £10.041m. These pressures, together with the grant reductions, are being met through savings including the Change, Efficiency and Improvement Programme of £24.267m.

The HRA budget for 2011/12 was approved by Council on 3 February 2011. This included an average increase in housing rents of 8.12% in line with the guideline rent increases figures set out in the 2011/12 Housing Revenue Account Subsidy determination. The HRA budget for 2011/12 incorporates expenditure of £53.830m which is financed by a combination of rent and service charges, with a contribution from balances of £0.549m.

The Dedicated Schools Grant (DSG) for North Tyneside for 2011/12 is budgeted to be £131.956m, an increase of £20.228m from 2010/11, some of this increase is due to some other education grants being paid via the DSG.

In relation to capital investment, expenditure of £46.532m was approved (including Housing) and total expenditure of £237.364m is currently projected over the lifetime of the 10 year period of the plan (2011-2021).

Risks and challenges moving forward

The Council faces a number of risks moving forward. These are reflected in the level of reserves that have been set aside to meet the challenging financial circumstances being faced by local authorities over the next three years.

These include:

- Income generation – the uncertainty around the speed of recovery from the current economic climate and any impact that that may have on external income;
- Inflation – inflation remains an area of risk for the Council;
- Land and property values – these remain an area of concern due to the consequential pressure on the ability to generate capital receipts;
- Demand-led pressures – certain services are facing sustained pressure from increasing volumes and complexities of support requirements;
- Pension Fund – the outcome of the 2010 valuation did give a reduction in the employers contribution rate, although risks remain around the pension fund liabilities beyond the period of the valuation;
- Treasury Management – uncertainties regarding the timing and level of increases to the bank rate and the consequential impact on short and medium-term borrowing and lending; and
- Savings Targets – the delivery of efficiency savings, to allow the front line services to be maintained has been a feature in the Council's budget plans for many years. Financial plans for future years are no different, with a challenging remit to deliver savings. Failure to meet these targets would place significant pressure on the Council's finances to balance its budget and maintain the current levels of service delivery.

The Council continues to work to mitigate these risks and has an ambitious Change, Efficiency and Improvement programme in place to help fund these potential risks whilst at the same time improving service delivery and the customer experience.

FIONA ROONEY
CHIEF FINANCE OFFICER
[Date: 30 September 2011]

General Statistics

2009/10		2010/11
	Area and Population	
20,372	Area of Borough (acres)	20,372
197,083	Population (Register General Mid Year Estimates)	197,300
9.67	Persons per Acre	9.68
63,233	Relevant Number of Properties (Band D Equivalent)	63,703
	Rateable Value	
£127,586,575	Non Domestic Rateable Value at Year End	£149,591,142
	Rates:	
	<u>National Non Domestic Rate (Per Pound of Rateable Value)</u>	
48.5p	Standard Rates Multiplier	41.4p
48.1p	Small Business Multiplier	40.7p
	Council Tax	
£1,450.10	Council Tax for Band D Property	£1,484.90
	Loan Debt at Year End:	
£283,900,786	Net loan debt for which Council is responsible	£321,301,000
£1,440.51	Net loan debt per head of population	£1,628.49
	Number of Schools in the Borough	
9	First	8
48	Primary	38
4	Middle	4
10	High	2
5	Special	1
1	Trust	24
	Number of Council Houses:	
16	Bedsits	17
2,321	Low rise flats	2,314
1,278	Medium rise flats	1,276
129	Maisonettes	128
1,787	Bungalows	1,787
9,096	Houses	9,075
986	Sheltered Accommodation	925
15,613		15,522

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- i. To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the officer is the Chief Finance Officer;
- ii. To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- iii. To approve the Statement of Accounts.

Signed:

Cllr John Stirling
Chair of Council
[Date: 30 September 2011]

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practice as set out in the CIPFA/ Local Authority Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('The Code').

In preparing this Statement of Accounts the Chief Finance Officer has:

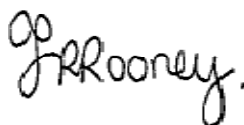
- i. Selected suitable accounting policies and then applied them consistently;
- ii. Made judgements and estimates that were reasonable and prudent; and
- iii. Complied with the local authority Code.

The Chief Finance Officer has also ensured that:

- i. Proper accounting records have been kept up to date; and
- ii. Reasonable steps have been taken for the prevention and detection of fraud and other irregularities

I certify that the draft Statement of Accounts for the year ended 31 March 2011, required by the Accounts and Audit Regulations 2011, are set out in the following pages and that they give a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2011.

Signed:



Fiona Rooney
Chief Finance Officer
[Date: 30 June 2011]

Comprehensive Income and Expenditure Statement for the year ended 31 March 2011

This Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated*

2009/10			2010/11		
Gross Exp** £000s	Gross Inc** £000s	Net Exp** £000s	Gross Exp** £000s	Gross Inc** £000s	Net Exp** £000s
20,070	(18,479)	1,591	20,441	(19,825)	616
300	0	300	377	0	377
28,153	(6,632)	21,521	28,128	(8,609)	19,519
31,737	(3,868)	27,869	34,759	(4,425)	30,334
10,760	(7,370)	3,390	25,145	(22,783)	2,362
264,429	(190,747)	73,682	245,906	(203,148)	42,758
11,838	(5,300)	6,538	9,156	(5,285)	3,871
44,579	(48,967)	(4,388)	211,747	(49,900)	161,847
64,763	(63,655)	1,108	72,937	(71,031)	1,906
95,696	(36,069)	59,627	96,572	(31,533)	65,039
8,699	(846)	7,853	6,621	(1,182)	5,439
9,620	0	9,620	(86,206)	0	(86,206)
590,644	(381,933)	208,711	665,583	(417,721)	247,862
34,825	0	34,825	131,464	0	131,464
40,872	(1,357)	39,515	29,210	(375)	28,835
0	(223,032)	(223,032)	0	(203,345)	(203,345)
666,341	(606,322)	60,019	826,257	(621,441)	204,816
		(13,054)			(18,050)
		466			0
		84,608			14,370
		72,020			(3,680)
		132,039			201,136

*See Note 1 for more details

** Exp is Expenditure and Inc is Income

Movement in Reserves Statement

This Statement shows the movement in year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus)/Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

	General Fund Balances £000s	Earmarked General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves *Note 33 £000s	Total Council Reserves £000s
Balance 1 April 2010	(11,854)	(22,493)	(2,940)	(4,193)	0	(2,179)	(43,659)	(343,465)	(387,124)
<u>Movement in Reserves during 2010/11</u>									
(Surplus)/deficit on the provision of Service	36,973	0	167,843	0	0	0	204,816	0	204,816
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(3,680)	(3,680)
Total Comprehensive Income & Expenditure	36,973	0	167,843	0	0	0	204,816	(3,680)	201,136
Adjustments between accounting basis & funding basis under regulations (Note 2)	(41,419)	0	(168,908)	(697)	0	(2,116)	(213,140)	213,140	0
Net (increase)/decrease before transfers to earmarked reserves	(4,446)	0	(1,065)	(697)	0	(2,116)	(8,324)	209,460	201,136
Transfers to/(from) earmarked reserves (Note 32)	3,272	(3,272)	0	0	0	0	0	0	0
(Increase)/decrease in 2010/11	(1,174)	(3,272)	(1,065)	(697)	0	(2,116)	(8,324)	209,460	201,136
Balance at 31 March 2011	(13,028)	(25,765)	(4,005)	(4,890)	0	(4,295)	(51,983)	(134,005)	(185,988)

Balance 1 April 2009Movement in Reserves during 2009/10

(Surplus)/deficit on the provision of Service
Other Comprehensive
Income & Expenditure

Total Comprehensive Income & Expenditure

Adjustments between
accounting basis & funding
basis under regulations
(Note 2)

Net (increase)/decrease before transfers to earmarked reserves

Transfers to/(from)
earmarked reserves
(Note 32)

(Increase)/decrease in
2009/10

Balance at 31 March 2010

General Fund Balances £000s	Earmarked General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Useable Reserves £000s	Unuseable Reserves *Note 33 £000s	Total Council Reserves £000s
(11,718)	(39,677)	(4,559)	(3,344)	0	(1,122)	(60,420)	(458,743)	(519,163)
56,942	0	3,077	0	0	0	60,019	0	60,019
0	0	0	0	0	0	0	72,020	72,020
56,942	0	3,077	0	0	0	60,019	72,020	132,039
(39,894)	0	(1,458)	(849)	0	(1,057)	(43,258)	43,258	0
17,048	0	1,619	(849)	0	(1,057)	16,761	115,278	132,039
(17,184)	17,184	0	0	0	0	0	0	0
(136)	17,184	1,619	(849)	0	(1,057)	16,761	115,278	132,039
(11,854)	(22,493)	(2,940)	(4,193)	0	(2,179)	(43,659)	(343,465)	(387,124)

Balance Sheet as at 31 March 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council.

Restated*			Notes	31 March 2011 £000s
1 April 2009** £000s	31 March 2010 £000s			
1,134,490	1,164,067	Property, Plant & Equipment	17	910,775
1,327	1,549	Investment Property	20	1,505
374	916	Intangible Assets	21	1,040
986	520	Long Term Investments	22	520
1,764	1,592	Long Term Debtors	23	1,209
1,138,941	1,168,644	Long Term Assets		915,049
30,718	240	Short Term Investments	39	230
8,299	6,732	Payments in Advance		4,156
958	4,430	Assets Held for Sale	24	3,532
972	588	Inventories	25	593
30,094	32,913	Short Term Debtors	26	32,087
(3,291)	24,683	Cash & Cash Equivalents	27	10,835
67,750	69,586	Current Assets		51,433
(24,621)	(50,582)	Short Term Borrowing	28	(51,995)
(42,245)	(44,504)	Short Term Creditors	29	(30,742)
(1,696)	(2,167)	Finance & PFI Lease Creditors	6,16	(2,031)
(2,162)	(13,729)	Provisions	30	(10,693)
(5,801)	(9,734)	Income in Advance		(9,812)
(176)	(116)	Other Short Term Liabilities		(138)
(76,701)	(120,832)	Current Liabilities		(105,411)
(50,704)	(50,354)	Finance & PFI Lease Creditors	6,16	(49,295)
(1,536)	(3,799)	Provisions	30	(5,689)
(244,750)	(264,750)	Long Term Borrowing	31	(284,750)
(3,556)	(3,440)	Other Long Term Liabilities		(3,302)
0	0	Other Long Term Creditors		(75)
(303,964)	(403,388)	Pension Liability	7	(324,173)
(6,317)	(4,543)	Capital Grants Receipts in Advance	11	(7,799)
(610,827)	(730,274)	Long Term Liabilities		(675,083)
519,163	387,124	Net Assets		185,988
(60,420)	(43,659)	Useable Reserves	32	(51,983)
(458,743)	(343,465)	Unuseable Reserves	33	(134,005)
(519,163)	(387,124)	Total Reserves		(185,988)

*See note 1 for more detail

** Opening Balance Sheet for comparative year is required where there have been prior period adjustments.

Cash Flow Statement for year ended 31 March 2011

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The format of the Statement has been changed from the prior year and also incorporates the impact of the prior period adjustments included in Note 1.

2009/10 £000s		Notes	2010/11 £000s
(60,019)	Net surplus/ (deficit) on the provision of services		(204,816)
146,696	Adjustments to net surplus or deficit on the provision of services for non cash movements	41	232,162
(52,772)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	41	(24,661)
33,905	Net Cash Flows from Operating Activities		2,685
(44,051)	Net Cash flow from Investing Activities	43	(34,900)
38,120	Net Cash flow from Financing Activities	44	18,367
27,974	Net Increase or decrease in cash and cash equivalents		(13,848)
(3,291)	Cash and cash equivalents at the beginning of the reporting period		24,683
24,683	Cash and cash equivalents at the end of the reporting period	27	10,835

Chief Finance Officer's Certificate

I certify that the accounts set out on pages 13 to 17 give a true and fair view of the financial position of North Tyneside Council as at 31 March 2011.

Signed: Fiona Rooney

Signed: Cllr John Stirling

Chief Finance Officer

Chair of Council

[Date: 30 September 2011]

[Date: 30 September 2011]

As referred to on page 12, the draft accounts were certified by the Chief Finance Officer. This certificate will be signed when the Accounts are formally approved.

Notes to the Core Financial Statements

1 Prior Period Adjustments

Adjustments have been made to the 2009/10 financial statements to take account of changes in accounting policies as per the introduction of International Financial Reporting Standards (IFRS). These relate in particular to the accounting treatment of leases, grants and property transactions. The adjustments below highlight the individual lines that have changed within the 2009/10 Accounts, together with the relevant totals, although it should be noted that the sub-totals do not add up to the individual tables as unaffected lines are not included.

Extracts from the Comprehensive Income & Expenditure Statement

31 March 2010 (published) £000s		Leasing Arrangements £000s	Accounting for Grant Income £000s	Property Re- classification £000s	Other IFRS Adjustments £000s	31 March 2010 Restated figure £000s
205,640	Cost of Service	(46)	5,346	(74)	(2,155)	208,711
19,238	Interest payable and similar charges	34				19,272
9,117	(Gain)/losses on the disposal of non current assets		12,095	(1,573)		19,639
0	Impairment of assets held for sale*			1,129		1,129
0	Income & Expenditure in relation to investment Property and changes in their fair value*				(331)	(331)
0	Capital Grants and Contributions*		(43,934)			(43,934)
89,528	Deficit on Provision of Services	(12)	(26,493)	(518)	(2,486)	60,019

*These are lines that have been added to the Comprehensive Income and Expenditure Statement as a result of IFRS and as such were not included in the original Comprehensive Income and Expenditure Statement.

Extracts from the Balance Sheet 2009/10

31 March 2010 (published)		Leasing Arrangements	Accounting for Grant Income	Property Re- classification	Other IFRS Adjustments	31 March 2010 Restated figure
£000s		£000s	£000s	£000s	£000s	£000s
1,168,824	Property, Plant and Equipment	2,351		(7,108)		1,164,067
0	Investment Property ¹			1,549		1,549
0	Assets held for Sale ¹			4,430		4,430
26,240	Short Term Investments				(26,000)	240
6,586	Payments in Advance	(14)			160	6,732
(1,317)	Cash & Cash Equivalents				26,000	24,683
(1,511)	Finance Lease & PFI Creditors (Current)	(656)				(2,167)
(39,016)	Creditors (short term)				(5,488)	(44,504)
(17,970)	Income in Advance		8,236			(9,734)
(124,763)	Government Grant Deferred Account		124,763			0
0	Capital Grants Receipts in Advance ¹		(4,543)			(4,543)
(48,693)	Finance Lease & PFI Creditors (Long Term)	(1,661)				(50,354)
265,106	Net Assets	20	128,456	(1,129)	(5,328)	387,124
(20,646)	Earmarked Reserves	15	(1,862)			(22,493)
(12,202)	General Fund Balances		348			(11,854)
(54,957)	Revaluation Reserve			565	2,589	(51,803)
(579,679)	Capital Adjustment Account	(35)	(124,763)	564	(2,589)	(706,502)
0	Capital Grants Unapplied ¹		(2,179)			(2,179)
0	Accumulated Absences Account ¹				5,328	5,328
(265,106)	Total Reserves	(20)	(128,456)	1,129	5,328	(387,124)

¹ These are lines that have been added to the Balance Sheet as a result of IFRS and as such were not included in the original Balance Sheet.

Extracts from the Balance Sheet 2008/09

31 March 2009 (published)* £000s		Leasing Arrangements £000s	Accounting for Grant Income £000s	Property Re-classification £000s	Other IFRS Adjustments £000s	31 March 2009 Restated figure £000s
1,137,573	Property, Plant and Equipment	849		(3,932)		1,134,490
0	Investment Property ¹			1,327		1,327
0	Assets held for Sale ¹			958		958
8,258	Payments in Advance	(16)			57	8,299
(1,370)	Finance Lease & PFI Creditors (Current)	(326)				(1,696)
(37,208)	Creditors (short term)				(5,037)	(42,245)
(14,674)	Income in Advance		8,873			(5,801)
(99,410)	Government Grant Deferred Account		99,410			0
0	Capital Grants Receipts in Advance ¹		(6,317)			(6,317)
(50,204)	Finance Lease & PFI Creditors (Long Term)	(500)				(50,704)
423,817	Net Assets	7	101,966	(1,647)	(4,980)	519,163
(37,911)	Earmarked Reserves	16	(1,434)			(39,329)
(12,066)	General Fund Balances					(11,718)
(42,295)	Revaluation Reserve			317		(41,978)
(624,952)	Capital Adjustment Account	(23)	(99,410)	1,330		(723,055)
0	Capital Grants Unapplied ¹		(1,122)			(1,122)
0	Accumulated Absences Account ¹				4,980	4,980
(423,817)	Total Reserves	(7)	(101,966)	1,647	4,980	(519,163)

¹ These are lines that have been added to the Balance Sheet as a result of IFRS and as such were not included in the original Balance Sheet.

*These are the published figures in the 2009/10 Annual Statement of Accounts relating to the 2008/09 Accounts.

2 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income & Expenditure figure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11 Adjustments

	Useable Reserves					Movement in Unuseable Reserves £000s
	General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
Charges for depreciation and impairment of non current assets	(22,098)	(32,708)	0	0	0	54,806
Revaluation losses on Property, Plant & Equipment	(4,732)	(148,585)	0	0	0	153,317
Movements in the Market Value of Investment Property	17	0	0	0	0	(17)
Amortisation of intangible assets	(417)	0	0	0	0	417
Capital Grants and contributions applied	9,495	102	0	0	0	(9,597)
Revenue Expenditure funded from Capital under Statute	(9,492)	(157)	0	0	0	9,649
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(123,353)	(779)	0	0	0	124,132
Statutory provision for the financing of capital investment	10,960	0	0	0	0	(10,960)
Capital expenditure charged against the General Fund and HRA Balances	0	1,835	0	0	0	(1,835)
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	4,295	0	0	0	(4,295)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	2,179	(2,179)

2010/11 Adjustments (contd)

Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement

Use of the Capital Receipts Reserve to finance new capital expenditure

Contributions from the Capital Receipts Reserve to finance the payments to the government capital receipts pool

Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement

Reversal of Major Repairs Allowance credited to the HRA

Use of the Major Repairs Reserve to finance new capital expenditure

Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note7)

Employer's pensions contributions and direct payments to pensioners payable in the year

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
5,417	1,718	(7,135)	0	0	0
0	0	5,484	0	0	(5,484)
(954)	0	954	0	0	0
(303)	(4)	0	0	0	307
0	10,197	0	(10,197)	0	0
0	0	0	10,197	0	(10,197)
(165)	34	0	0	0	131
64,052	(515)	0	0	0	(63,537)
30,048	0	0	0	0	(30,048)

2010/11 Adjustments (contd)

Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements

Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements

TOTAL ADJUSTMENTS

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
(39)	0	0	0	0	39
(5,204)	(84)	0	0	0	5,288
1,054	38	0	0	0	(1,092)
(41,419)	(168,908)	(697)	0	(2,116)	213,140

2009/10 Adjustments

	Useable Reserves					Movement in Unuseable Reserves £000s
	General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
Charges for depreciation and impairment of non current assets	(19,014)	(16,224)	0	0	0	35,238
Revaluation losses on Property, Plant & Equipment	(20,592)	(230)	0	0	0	20,822
Movements in the Market Value of Investment Property	222	0	0	0	0	(222)
Amortisation of intangible assets	(177)	0	0	0	0	177
Capital Grants and contributions applied	41,286	38	0	0	0	(41,324)
Revenue Expenditure funded from Capital under Statute	(10,865)	(106)	0	0	0	10,971
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(23,992)	(1,504)	0	0	0	25,496
Statutory provision for the financing of capital investment	9,365	0	0	0	0	(9,365)
Capital expenditure charged against the General Fund and HRA Balances	38	6,078	0	0	0	(6,116)
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	2,610	0	0	0	(2,610)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,553	(1,553)

2009/10 Adjustments (contd)

Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement

Use of the Capital Receipts Reserve to finance new capital expenditure

Contributions from the Capital Receipts Reserve to finance the payments to the government capital receipts pool

Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement

Reversal of Major Repairs Allowance credited to the HRA

Use of the Major Repairs Reserve to finance new capital expenditure

Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 7)

Employer's pensions contributions and direct payments to pensioners payable in the year

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
3,780	2,462	(6,242)	0	0	0
0	0	4,308	0	0	(4,308)
(1,085)	0	1,085	0	0	0
(303)	(6)	0	0	0	309
0	10,031	0	(10,031)	0	0
0	0	0	10,031	0	(10,031)
(165)	40	0	0	0	125
(43,856)	(1,584)	0	0	0	45,440
30,626	0	0	0	0	(30,626)

2009/10 Adjustments (contd)

Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements

Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements

TOTAL ADJUSTMENTS

Useable Reserves					Movement in Unuseable Reserves £000s
General Fund Balances £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	
(176)	0	0	0	0	176
(7,268)	(433)	0	0	0	7,701
(328)	(20)	0	0	0	348
(39,894)	(1,458)	(849)	0	(1,057)	43,258

3 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement); and
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

2010/11

	Children, Young People & Learning £000s	Community Services £000s	Finance & Resources £000s	Chief Executive's Office £000s	Corporate Items £000s	Total General Fund £000s	Housing Revenue Account £000s	Total Services £000s
Fees and Charges	(16,492)	(14,318)	(4,103)	(7,377)	(1,647)	(43,937)	(47,890)	(91,827)
Government Grants & Contributions	(192,543)	(29,029)	(86,331)	(4,424)	(22,140)	(334,467)	2,237	(332,230)
Support Services	(29,591)	(12,674)	(21,910)	(16,048)	(1,298)	(81,521)	(2,455)	(83,976)
Interest & Investment Income	0	0	0	0	(7,066)	(7,066)	6,775	(291)
Total Income	(238,626)	(56,021)	(112,344)	(27,849)	(32,151)	(466,991)	(41,333)	(508,324)
Employees	150,144	50,953	11,924	17,408	10,192	240,621	8,459	249,080
Other Service Expenses	107,710	97,187	94,787	14,213	(2,046)	311,851	16,247	328,098
Support Services	15,940	10,596	4,375	7,167	6,381	44,459	3,530	47,989
Depreciation, amortisation & impairment	13,846	5,811	10,123	6,137	(26,918)	8,999	12,032	21,031
Interest Payments	0	0	2	0	20,452	20,454	0	20,454
Precepts & Levies	0	0	0	0	13,210	13,210	0	13,210
Total Operating Expenditure	287,640	164,547	121,211	44,925	21,271	639,594	40,268	679,862
Net Expenditure	49,014	108,526	8,867	17,076	(10,880)	172,603	(1,065)	171,538

2009/10

	Children, Young People & Learning £000s	Community Services £000s	Finance & Resources £000s	Chief Executive's Office £000s	Corporate Items £000s	Total General Fund £000s	Housing Revenue Account £000s	Total Services £000s
Fees and Charges	(15,322)	(12,462)	(3,800)	(8,401)	(1,460)	(41,445)	(46,329)	(87,774)
Government Grants & Contributions	(175,576)	(38,031)	(81,028)	(4,824)	(18,005)	(317,464)	914	(316,550)
Support Services	(29,256)	(15,561)	(24,548)	(25,169)	(7,243)	(101,777)	(3,075)	(104,852)
Interest & Investment Income	0	0	0	0	(95)	(95)	0	(95)
Total Income	(220,154)	(66,054)	(109,376)	(38,394)	(26,803)	(460,781)	(48,490)	(509,271)
Employees	148,579	53,913	14,158	20,580	12,681	249,911	11,710	261,621
Other Service Expenses	94,471	93,810	90,928	16,019	(10,470)	284,758	12,412	297,170
Support Services	19,070	11,287	3,371	14,651	8,436	56,815	3,537	60,352
Depreciation, amortisation & impairment	30,639	4,821	7,839	2,638	(40,021)	5,916	16,177	22,093
Interest Payments	0	0	2	0	19,273	19,275	6,273	25,548
Precepts & Levies	0	0	0	0	12,972	12,972	0	12,972
Total Operating Expenditure	292,759	163,831	116,298	53,888	2,871	629,647	50,109	679,756
Net Expenditure	72,605	97,777	6,922	15,494	(23,932)	168,866	1,619	170,485

Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/10 £000s		2010/11 £000s
170,485	Net expenditure in Service analysis	171,538
(1,286)	Adjustments made in respect of statutory accounting policies, not included within Cabinet report	59,006
39,512	Amounts excluded from the Cost of Services within the Comprehensive Income and Expenditure Statement	17,318
208,711	Cost of Services in Comprehensive Income and Expenditure Statement	247,862

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus/ Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11

	Service Analysis	Statutory Accounting Adjustments	Amounts not included in the Cost of Services	Cost of Services	Other Income & Expenditure Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees and Charges	(91,827)	684	205	(90,938)	0	(90,938)
Government Grants & Contributions	(332,230)	0	17,401	(314,829)	(41,928)	(356,757)
Support Services	(83,976)	0	72,022	(11,954)	0	(11,954)
Interest and Investment Income	(291)	0	291	0	(375)	(375)
Income from Council Tax/NNDR	0	0	0	0	(161,417)	(161,417)
Total Income	(508,324)	684	89,919	(417,721)	(203,720)	(621,441)
Employee Expenses	249,080	(1,092)	0	247,988	0	247,988
Other Service Expenses	328,098	(8,291)	(69,294)	250,513	0	250,513
Support Services Recharges	47,989	0	0	47,989	0	47,989
Depreciation, amortisation and impairment	21,031	171,149	29,418	221,598	303	221,901
Interest Payments	20,454	0	(20,454)		20,290	20,290
Precepts & Levies	13,210	0	(13,210)	0	13,210	13,210
Payments to Housing Capital Receipts Pool	0	0	0	0	954	954
Gain or loss on Disposal of Fixed Assets	0	(939)	939	0	116,997	116,997
IAS19 Pension Costs	0	(102,505)	0	(102,505)	8,920	(93,585)
Total Operating Expenses	679,862	58,322	(72,601)	665,583	160,674	826,257
(Surplus) or deficit on the provision of services	171,538	59,006	17,318	247,862	(43,046)	204,816

2009/10

	Service Analysis	Add in Statutory Accounting Adjustments	Less Amounts not included in the Cost of Services	Cost of Services	Add in Other Income & Expenditure Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees and Charges	(87,774)	5,867	199	(81,708)	0	(81,708)
Government Grants & Contributions	(316,550)	9,932	17,164	(289,454)	(70,461)	(359,915)
Support Services	(104,852)	0	94,081	(10,771)	0	(10,771)
Interest and Investment Income	(95)	0	95	0	(1,357)	(1,357)
Income from Council Tax/NNDR	0	0	0	0	(152,571)	(152,571)
Total Income	(509,271)	15,799	111,539	(381,933)	(224,389)	(606,322)
Employee Expenses	261,621	348	0	261,969	0	261,969
Other Service Expenses	297,170	(9,887)	(74,537)	212,746	0	212,746
Support Services Recharges	60,352	0	0	60,352	0	60,352
Depreciation, amortisation and impairment	22,093	192	40,078	62,363	1,129	63,492
Interest Payments	25,548	0	(25,548)	0	19,272	19,272
Precepts & Levies	12,972	0	(12,972)	0	12,972	12,972
Payments to Housing Capital Receipts Pool	0	0	0	0	1,085	1,085
Gain or loss on Disposal of Fixed Assets	0	(952)	952	0	19,639	19,639
IAS19 Pension Costs	0	(6,786)	0	(6,786)	21,600	14,814
Total Operating Expenses	679,756	(17,085)	(72,027)	590,644	75,697	666,341
(Surplus) or deficit on the provision of services	170,485	(1,286)	39,512	208,711	(148,692)	60,019

4 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in pages 106-123, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

Pensions Liability

In the UK Emergency Budget on 22 June 2010, the Chancellor announced with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the Tyne & Wear Pension Fund by £79.215m and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund Balances.

Trust Schools

During September 2010, 23 schools moved to Trust status. These assets have been removed from the Council's Balance Sheet and a loss on disposal has been recorded in the Comprehensive Income & Expenditure Statement.

Service Concessions

An examination of the Council's contracts has resulted in the Private Finance Initiative (PFI) schemes for schools, street lighting and Dudley /Shiremoor Joint Service Centres being recorded on the Council's Balance Sheet. The contracts for Waste Management and Extra Care did not meet the criteria under International Financial Reporting Interpretations Committee (IFRIC) 12 and therefore are not included on the Balance Sheet.

5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or which are otherwise inherently uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

Item	Uncertainties
Provisions	<p>The Council has made a provision of £9.999m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by previous claims will be applicable.</p> <p>Other estimates within our provisions are set out in Note 30.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Pension Fund engages a firm of specialist actuaries to provide the Council with expert advice about the assumptions to be applied.</p>
Debtors arrears	<p>At 31 March 2011, the Council had a balance of £32.087m. A review of significant balances suggested that an impairment of doubtful debts of £8.394m was appropriate. However, in the current economic climate there is an inherent risk that such an allowance would not be sufficient.</p>
National Non Domestic Rate Final Submission	<p>The Accounts have been closed down on an estimated final position due to the timing of the final return relative to the completion of the final accounts. There are no revenue implications of using the estimated final position and the external auditors have confirmed that they consider this treatment reasonable.</p>

6 Leasing

Some of the prior period figures shown within this note have been restated due to the IFRS changes, more details are shown in Note 1.

Operating leases – Council as Lessee

The Council uses vehicles, plant and equipment, which are financed under the terms of operating leases. Operating lease rentals included in the revenue accounts for the year amounted to £0.495m, compared to £0.928m in 2009/10.

The Council leases a number of buildings on short-term leases which are also classified as operating leases. The total rentals payable in 2010/11 were £3.453m (£3.363m in 2009/10).

Undischarged operating lease rentals at 31 March 2011 amounted to £3.270m (£4.659m in 2009/10), comprising the following elements:

31 March 2010 £000s		31 March 2011 £000s
846	Due Year 1	243
603	Due Years 2-5	22
3,210	Due after Year 5	3,005
4,659	Total	3,270

Operating leases – Council as Lessor

The Council has granted a number of leases to organisations (commercial and community) for the use of Council-owned buildings and land. These leases have been accounted for in 2010/11 as being operating leases and the total rental income was £1.783m (£2.606m in 2009/10). The future minimum lease payments in future years are:

31 March 2010 £000s		31 March 2011 £000s
1,709	Due Year 1	1,670
1,604	Due Years 2-5	5,594
32,090	Due after Year 5	26,667
35,403	Total	33,931

Finance leases

The Council has entered into finance leases for refuse vehicles, gritters, a mobile library and other equipment. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2010 £000s		31 March 2011 £000s
2,703	Vehicles, Plant, Furniture & Equipment	2,765

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Council and the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2010 £000s		31 March 2011 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
896	Current	678
1,773	Non-current	2,068
277	Finance costs payable in future years (interest)	256
2,946	Minimum Lease Payments	3,002

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2011 £000s
Due Year 1	1,012	776	896	678
Due Years 2-5	1,934	2,226	1,773	2,068
Due after Year 5	0	0	0	0
Total	2,946	3,002	2,669	2,746

7 Pensions

The Council participates in the Local Government Pension Scheme (LGPS) and its permanent employees are offered the opportunity to join the scheme should they so wish. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments that need to be disclosed at the time that employees earn their entitlement.

The Council participates in the Tyne & Wear Pension Fund (TWPF), which is administrated by South Tyneside Metropolitan Borough Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

In addition to this scheme the Council is also responsible for all pension payments relating to added years awarded and the mandatory costs it has incurred for allowing premature retirement, together with related increases, in relation to Teachers Pensions Scheme (TPS). In 2010/11, the Council paid £8.879m (£8.495m 2009/10) to Teachers' Pensions in respect of teachers' retirement benefits, representing 13.68% of pensionable pay (13.8% 2009/10).

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The Council is required to make a charge against council tax based on the cash payable in the year, so the real cost of post employment/ retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

The following transactions have been charged to the Comprehensive Income and Expenditure Statement during the year:

Pension Revenue Summary	2009/10 £000s				2010/11 £000s			
	TWPf		TPS	Total	TWPf		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Comprehensive Income & Expenditure Statement								
<u>Cost of Services</u>								
Current Service Costs	16,080	0	0	16,080	21,430	0	0	21,430
Past Service Costs	7,700	0	60	7,760	(87,757)	(2,690)	(3,440)	(93,887)
<u>Financing and Investment Income and Expenditure</u>								
Interest Cost	40,440	1,680	2,220	44,340	42,790	1,450	1,890	46,130
Expected return on assets in the scheme	(22,740)	0	0	(22,740)	(37,210)	0	0	(37,210)
Total Post Employment Benefit Charged to the Deficit on the Provision of Services	41,480	1,680	2,280	45,440	(60,747)	(1,240)	(1,550)	(63,537)
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement								
Actuarial (gains) and losses	77,408	3,120	4,080	84,608	13,930	180	260	14,370
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	118,888	4,800	6,360	130,048	(46,817)	(1,060)	(1,290)	(49,167)

Pension Revenue Summary	2009/10 £000s				2010/11 £000s			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded	Unfunded			Funded	Unfunded		
Movement in Reserves Statement								
Reversal of net charges made to the deficit for the Provision of Services for post employment benefits	(41,480)	(1,680)	(2,280)	(45,440)	60,747	1,240	1,550	63,537
<u>Actual amount charged against the General Fund Balance for pensions in the year</u>								
Employers contributions payable to the scheme	26,120	0	0	26,120	25,418	0	0	25,418
Retirement benefits payable to pensioners	0	1,800	2,710	4,510	0	1,780	2,850	4,630

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £14.370m (£84.608m loss in 2009/10).

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	2009/10				2010/11			
	TWPF		TPS	Total	TWPF		TPS	Total
	Funded £000s	Unfunded £000s	£000s	£000s	Funded £000s	Unfunded £000s	£000s	£000s
Opening present value of liabilities	(614,198)	(26,330)	(34,880)	(675,408)	(844,080)	(29,331)	(38,530)	(911,941)
Current Service Cost	(16,080)	0	0	(16,080)	(21,430)	0	0	(21,430)
Interest Cost	(40,440)	(1,680)	(2,220)	(44,340)	(42,790)	(1,450)	(1,890)	(46,130)
Contributions by participants	(7,310)	0	0	(7,310)	(6,720)	0	0	(6,720)
Actuarial gains/(losses) on liabilities	(192,320)	(3,120)	(4,080)	(199,520)	28,390	(180)	(260)	27,950
Net Benefits paid out	33,960	1,800	2,710	38,470	24,810	1,780	2,850	29,440
Past Service Cost	(7,700)	0	(60)	(7,760)	87,750	2,690	3,440	93,880
Closing present value of liabilities	(844,088)	(29,330)	(38,530)	(911,948)	(774,070)	(26,491)	(34,390)	(834,951)

Reconciliation of fair value of scheme assets:

	TWPF	
	2009/10 £000s	2010/11 £000s
Opening fair value of assets	371,440	508,560
Expected return on assets	22,740	37,210
Actuarial gains/(losses) on assets	114,910	(42,320)
Contributions by employer	26,120	25,418
Contributions by participants	7,310	6,720
Net Benefits paid out	(33,960)	(24,810)
Closing fair value of assets	508,560	510,778

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a loss of £5.110m (gain of £137.650m in 2009/10).

Scheme History

	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
Present Value of Liabilities					
• TWPF	(645,950)	(582,723)	(640,520)	(873,410)	(800,561)
• TPS	(36,920)	(33,970)	(34,880)	(38,530)	(34,390)
Fair Value of assets in the TWPF	444,480	439,820	371,440	508,560	510,770
Surplus/(deficit) in the scheme					
• TWPF	(201,470)	(142,900)	(269,084)	(364,858)	(289,783)
• TPS	(36,920)	(33,970)	(34,880)	(38,530)	(34,390)
Total	(238,390)	(176,870)	(303,964)	(403,388)	(324,173)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £834.951m (£911.941m in 2009/10) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £324.173m (£403.388m in 2009/10). However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

It is estimated that in 2011/12 the Council will make contributions of £21.210m to the Tyne & Wear Pension Fund.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the TWPF and TPS have been assessed by Hewitt Associates Ltd, an independent firm of actuaries, estimates for the Council's liabilities being based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary have been:

Long term expected rate of return on assets in the scheme:

- Equity Investments
- Property
- Government Bonds
- Corporate Bonds
- Other

TWPF	
2009/10	2010/11
8.0%	8.4%
8.5%	7.9%
4.5%	4.4%
5.5%	5.1%
8.0%	8.4%

Mortality assumptions

Longevity at 65 for current pensioners:

- Men
- Women

Longevity at 65 for future pensioners:

- Men
- Women

Rate of Inflation (RPI)

Rate of Inflation (CPI)

Rate of increase in salaries

Rate of increase in pensions

Rate for discounting scheme liabilities

TWPF		TPS	
2009/10	2010/11	2009/10	2010/11
20.0	21.5	20.0	21.5
22.9	23.7	22.9	23.7
22.2	23.3		
25.1	25.6		
3.9%	3.7%	3.8%	n/a
n/a	2.8%	n/a	2.7%
5.4%	5.2%		
3.9%	2.8%	3.8%	
5.5%	5.4%	5.5%	5.5%

The TPS has no assets to cover its liabilities. The TWPF's assets consist of the following categories, by proportion of the total assets held:

Equities
Property
Government Bonds
Other Bonds
Other
Total

2009/10 %	2010/11 %
67.80	68.00
7.40	8.10
9.30	7.00
11.40	11.70
4.10	5.20
100.00	100.00

History of experience gains and Losses

The actuarial losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of asset or liabilities at 31 March 2011:

	2006/07 %		2007/08 %			2008/09 %			2009/10 %			2010/11 %		
	TWPF	TPS	TWPF funded	TWPF Un funded	TPS	TWPF funded	TWPF Un funded	TPS	TWPF funded	TWPF Un funded	TPS	TWPF funded	TWPF Un funded	TPS
Differences between the expected and actual return on assets	(0.6)	0.6	(10.6)	-	-	(10.6)	-	-	22.6	-	-	(8.3)	-	-
Experience gains and losses on liabilities	(0.2)	(2.0)	1.9	0	(0.7)	1.9	0	(0.7)	0.9	3.0	(0.7)	3.2	0.3	0.3

8 Other Operating Expenditure

The other operating expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

2009/10 £000s		2010/11 £000s
12,972	Levies	13,210
1,085	Payments to the Government Housing Capital Receipts Pool	954
19,639	(Gains)/Losses on the disposal of non current assets	116,997
1,129	Impairment of assets held for sale	303
34,825	Total	131,464

9 Financing and Investment Income & Expenditure

The financing and investment income & expenditure shown in the Comprehensive Income & Expenditure Statement consists of:

2009/10 £000s		2010/11 £000s
19,272	Interest payable and similar charges	20,290
21,600	Pension interest cost and expected return on pensions assets	8,920
(1,026)	Interest receivable and similar income	(257)
(331)	Income & expenditure in relation to investment Property and changes in their fair value	(118)
39,515	Total	28,835

10 Taxation and Non Specific Grant Income

The taxation and non specific grant income shown in the Comprehensive Income & Expenditure Statement consists of:

2009/10 £000s		2010/11 £000s
(82,187)	Council Tax Income	(84,655)
(70,384)	National Non Domestic Rates	(76,762)
(26,527)	Non Ringfenced Government Grants	(28,036)
(43,934)	Capital Grants and Contributions	(13,892)
(223,032)	Total	(203,345)

11 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

2009/10 £000s		2010/11 £000s
	Credited to Taxation & Non Specific Grant Income	
	<u>Non-Ringfenced Government Grants</u>	
(10,281)	Area Based Grant	(16,889)
(16,246)	Revenue Support Grant	(11,147)
(26,527)		(28,036)
	<u>Capital Grants and Contributions</u>	
(22,965)	Standards Fund	(4,157)
(3,690)	English Partnerships	(1,513)
(332)	Nexus	(1,242)
(25)	Local Transport Plan	(1,001)
(662)	Playsite Pathfinder Programme	(952)
(683)	SureStart	(901)
(894)	Housing Growth Point Grant	(803)
(50)	Flood Defences	(623)
(7,124)	Single Programme	(495)
(0)	Football Foundation Grant	(487)
(547)	Single Housing Investment Pot	(376)
(59)	Mental Health Grant	(214)
(594)	Local Transport Plan Integrated Transport Uplift	(148)
(104)	Social Care Grant	(104)
(2,505)	Department for Transport	(17)
(3,700)	Other Grants (individually under £0.100m)	(859)
(43,934)		(13,892)
(70,461)	Total	(41,928)

2009/10 £000s		2010/11 £000s
	Credited to Services	
(107,062)	Dedicated Schools Grant	(111,364)
(30,389)	Mandatory Rent Allowances Benefit Grant	(35,668)
(28,922)	Rent Rebates Benefit Grant	(28,967)
(17,358)	Council Tax Benefit Grant	(17,294)
(14,271)	Standards Fund Grant	(17,671)
(550)	Future Jobs Fund	(16,238)
(13,842)	Post 16 Education Grant	(14,737)
(6,705)	Sure Start Grant	(6,929)
(5,135)	Private Finance Initiative	(5,135)
(4,684)	School Standards Grant	(4,793)
(2,150)	Housing Benefit Administration Grant	(1,924)
(0)	Single Housing Investment Pot	(1,881)
(1,030)	Single Pot	(1,734)
(9,713)	Supporting People Grant	(1,417)
(1,272)	School Standards Grant Personalisation	(1,277)
(733)	Social Care Reform Grant	(1,138)
(538)	Tyne Gateway Children in Poverty	(1,060)
(957)	School Sports Co-ordinator Allocation	(977)
(0)	Local Transport Plan	(594)
(493)	Youth Justice Board Grant	(493)
(407)	Think Family Grant	(493)
(177)	Seed Corn Grant	(487)
(0)	Sea Change Grant	(390)
(200)	Social Work Remodelling	(370)
(169)	Initial Teacher Training	(331)
(307)	European Regional Development Fund Grant	(301)
(257)	Training & Development Agency	(291)
(93)	Communities for Health Grant	(237)
(0)	Lawn Tennis Association Grant	(235)
(75)	Staying Put Pilot	(225)
0	Targeted Mental Health in Schools	(223)
(215)	Drug Intervention Programme Main Grant	(211)
0	Young Peoples Partnership Grant	(201)
(507)	14-19 Entitlement (Diploma Grant)	(195)
(207)	Youth Crime Action Plan	(172)
(230)	Asylum Seekers Grant	(151)
(251)	Entry to Employment (E2E)	(150)
0	Dementia Grant	(140)
(106)	Homelessness Grant	(137)
(3)	Teacher Training	(132)
0	Regional Improvement Efficiency Partnership (RIEP) Funding	(125)
(108)	Stroke Services	(122)
(129)	Youth Opportunities Fund	(117)
(1,027)	Local Area Agreement Pump Priming Grant	(110)
(2,492)	Other Grants (individually under £0.100m)	(1,341)
(252,764)	Total	(278,178)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies to be returned to the provider if they are not met. The balances at the year-end are as follows:

1 April 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
		Capital Grants Receipt In Advance	
(5,262)	(1,659)	Standards Fund	(3,854)
0	(501)	Sea Change Grant	(1,556)
(813)	(1,265)	Section 106 Agreements	(1,204)
0	0	Local Area Agreement Performance Reward Grant	(797)
(87)	0	Single Programme	(144)
0	0	Big Lottery Fund	(105)
0	(70)	Commutated Sum – St Peters Road Landscaping	(70)
(74)	(48)	Developers Contributions to Play Sites	(48)
(34)	0	Wallsend Strategy	0
(21)	(23)	Warm Zones	(21)
(9)	0	Sure Start Grant	0
(17)	0	Integrated Children's System Grant	0
0	(977)	Playsite Pathfinder	0
(6,317)	(4,543)	Total	(7,799)

12 Officers Remuneration

This has been split into two categories, employees and Senior Officers. The first table shows employees whose remuneration, excluding employer's pension contributions, was £50,000 or more. The second table sets out details of Senior Officers (by post title) whose **salary** is between £50,000 and £150,000. Table 3 details Senior Officers whose **salary** is £150,000 or more a year. Senior Officers are excluded from Table 1. A Senior Officer is defined as any person having responsibility for the management of the Council, to the extent that the person has power to direct or control the major activities of the Council, in particular activities involving the expenditure of money, whether solely or collectively with other persons. In North Tyneside this is deemed to be the Senior Management Team.

Table 1

2009/10	Remuneration Band	2010/11				Total
Number of Employees		APT&C	LEA Teachers	VA Teachers	Trust Teachers	
121	£50,000 - £54,999	33	21	4	35	93
55	£55,000 - £59,999	13	24	6	12	55
28	£60,000 - £64,999	5	2	2	4	13
13	£65,000 - £69,999	6	1	0	2	9
12	£70,000 - £74,999	4	4	1	3	12
10	£75,000 - £79,999	0	2	1	2	5
2	£80,000 - £84,999	0	0	0	4	4
6	£85,000 - £89,999	1	0	0	2	3
1	£90,000 - £94,999	0	1	1	0	2
4	£95,000 - £99,999	0	0	0	0	0
0	£100,000 - £104,999	0	0	0	1	1
0	£105,000 - £109,999	0	0	0	0	0
1	£110,000 - £114,999	0	0	0	0	0
253	Total	62	55	15	65	197

The above figures include any payments made to individuals in respect of Job Evaluation and redundancy payments. These payments are included as per The Code's definition of remuneration.

APT&C – Administrative, Professional, Technical & Clerical

LEA – Local Education Authority

VA – Voluntary Aided

Table 2

This table sets out the remuneration disclosures for Senior Officers whose **salary** is less than £150,000 but equal to or more than £50,000 per year.

2010/11

Post Holder Information (2010/11)	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind (eg Car Allowance)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
£	£	£	£	£	£	£	£
Acting Deputy Chief Executive (Strategic Director of Children, Young People & Learning)	138,160			83	138,243	20,862	159,105
Strategic Director of Community Services	117,250			83	117,333	17,705	135,038
Strategic Director of Finance & Resources	108,950			83	109,033	16,451	125,484
Head of Regeneration, Development & Regulatory Services ***	98,330			83	98,413	14,848	113,261
Head of Legal, Governance & Commercial Services	90,100				90,100	13,605	103,705
Head of Adult Social Care	90,100				90,100	13,605	103,705
Head of Environmental Services	86,848				86,848	13,114	99,962
Head of Customer & Cultural Services	79,500			83	79,583	12,005	91,588
Head of North Tyneside Homes	82,800				82,800	12,503	95,303
Head of Access & Inclusion	82,800				82,800	12,503	95,303

Post Holder Information (2010/11 contd)	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind (eg Car Allowance)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
£	£	£	£	£	£	£	£
Acting Strategic Director of Children, Young People & Learning (Head of Education, Enterprise & Economy)	103,295				103,295	15,597	118,892
Head of Commissioning & Resources	79,500				79,500	12,005	91,505
Head of Preventative & Safeguarding Services	80,500				80,500	12,156	92,656
Head of Finance*	6,625				6,625	1,000	7,625
Head of Human Resources/ Strategic Human Resources Manager ****	82,800				82,800	12,503	95,303
Head of Business Management**	91,497				91,497	11,826	103,323
Head of Investment & Regeneration**	80,445				80,445	10,259	90,704
Head of Economy & Employment**	98,887			83	98,970	7,852	106,822
Head of Serving Communities**	67,023				67,023	12,217	79,240
Total	1,665,410	0	0	498	1,666,908	242,616	1,908,524

*Post filled 1 March 2011

** Posts deleted during 2010/11 as part of Senior Management restructure in October 2010

*** Post holder was Acting Strategic Director of Development until 31 December 2010

**** Job title changed as part of Senior Management restructure in October 2010

2009/10

Post Holder Information	Salary (including Fees & Allowances)	Bonuses *****	Expense Allowances	Benefits in Kind (eg Car Allowance) (Restated)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
£	£	£	£	£	£	£	£
Strategic Director of Children, Young People & Learning****	126,000	6,200		1,803	134,003	21,169	155,172
Interim Strategic Director of Children, Young People and & Learning	3,299				3,299		3,299
Strategic Director of Community Services	117,600	5,788		1,752	125,140	18,632	143,772
Strategic Director of Finance & Resources *	81,711			901	82,612	12,742	95,354
Strategic Director of Organisational Improvement **	9,675			140	9,815	1,461	11,276
Strategic Director of Development***	102,261	5,788		1,484	109,533	15,720	125,253
Interim Strategic Director of Development	3,840				3,840		3,840
Head of Development, Strategy & Planning	86,600	3,420		1,789	91,809	14,173	105,982
Head of Legal, Governance and Commercial Services*****	83,761	3,024			86,785	13,105	99,890
Head of Finance*	18,542	3,280		901	22,723	2,892	25,615
Head of Education, Skills and Innovation	90,400	3,568		133	94,101	14,687	108,788
Head of Economy & Employment	80,000	1,748		1,772	83,520	12,344	95,864

2009/10 (contd) Post Holder Information	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) (Restated) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Head of Legal*****	47,533	3,280	120		50,933	6,724	57,657
Head of Investment & Regeneration	90,156				90,156	13,614	103,770
Head of Commissioning & Resources	79,700	3,148		68	82,916	12,510	95,426
Head of Access and Inclusion	83,050	3,280		137	86,467	13,036	99,503
Head of Preventative & Safeguarding Services	81,243	3,148		223	84,614	12,510	97,124
Head of Locality and Preventative Services	131,538	3,148			134,686	12,510	147,196
Head of Adult Social Care	67,575				67,575	10,204	77,779
Head of Clean Neighbourhoods	83,740	3,280		144	87,164	13,116	100,280
Head of Cultural Services	82,800	3,148		1,779	87,727	12,978	100,705
Head of North Tyneside Homes	83,050	3,280		180	86,510	13,036	99,546
Head of Serving Communities	82,619	3,280		52	85,951	12,971	98,922
Head of Business Management	84,625	3,024		12	87,661	13,235	100,896
Head of Business Management (Community)	25,934	3,024		34	28,992	3,714	32,706
Head of Transformation & Technology	41,841	3,280		1,021	46,142	6,724	52,866
Head of Marketing & Communications	77,338	3,024			80,362	12,135	92,497
Head of Human Resources	75,423	3,280			78,703	13,418	92,121
Total	2,021,854	77,440	120	14,325	2,113,739	309,360	2,423,099

*The post of Head of Finance became vacant at the end of June 2009, and the post of Strategic Director for Finance and Resources was filled at the same time.

** The post of Strategic Director for Organisational Improvement became vacant during April 2009, and the post was subsequently deleted as part of the Council's reorganisation.

*** The post of Strategic Director for Development was vacated at the end of 2009, and the Head of Development, Strategy & Planning took on additional duties to fulfil the role of Interim Strategic Director for Development.

**** Due to the post holder of the Strategic Director for Children, Young People and Learning taking on additional duties as Head of Paid Service, the post holder of Head of Education, Skills & Innovation took on additional duties as the Interim Strategic Director for Children, Young People and Learning.

***** The Head of Legal post was vacated in August 2009, the Head of Strategic Projects & Strategic Procurement was then redefined as Head of Legal, Governance & Commercial Services.

***** Bonuses paid in 2009/10 relate to the Performance Related Pay Scheme assessment in 2008/09.

Table 3

This table sets out the remuneration disclosures for Senior Officers whose **salary** is more than £150,000 per year.

2010/11

Post Holder Information	Salary (including Fees & Allowances) £	Bonuses £	Expense Allowances £	Benefits in Kind (eg Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive - John Marsden	196,021				196,021	28,690	224,711

2009/10

Post Holder Information	Salary (including Fees & Allowances)	Bonuses	Expense Allowances	Benefits in Kind (eg Car Allowance)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
	£	£	£	£	£	£	£
Chief Executive – Andrew Kerr*	164,870	8,196		1,633	174,699	24,719	199,418
Head of Paid Service – Gill Alexander*	7,992				7,992		7,992

*The statutory role of Head of Paid Service is usually carried out by the Chief Executive. Gill Alexander was interim Head of Paid Service from 1 January 2010 until 31 March 2010 as Andrew Kerr left the Council at this time, whilst also carrying out her statutory duties as Strategic Director for Children, Young People and Learning.

13 Members Allowances

Total allowances paid to Members during the year were as follows:

2009/10 £000s		2010/11 £000s
471	Basic Allowances	481
156	Special Responsibility Allowances	166
19	Expenses	46
646	Total	693

14 Related Parties Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in Note 3 – Amounts Reported for Resource Allocation Decisions. Note 11 – Grant Income details grant income reported in the Comprehensive Income & Expenditure Statement.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 13. During 2010/11 the Council had no material dealings with companies in which one or more members have an interest. However, the Council paid grants and other sums totalling £2.344m to voluntary and other statutory bodies in which 32 members had declared an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest open to public inspection at Legal and Democratic Services, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY.

Officers – During 2010/11 a senior officer from Children, Young People and Learning declared a pecuniary interest regarding a payment of £0.219m made by the Council to a regional body with an interest in learning and education.

Other public bodies – The Council has two pooled budget arrangements with North Tyneside Primary Care Trust. Details are outlined in Note 38.

Entities controlled or significantly influenced by the Council – The Council does not significantly influence any entities, however details of where the Council has an interest in companies are shown in Note 22.

15 Audit Costs

In 2010/11 the Council incurred the following fees relating to external audit and inspection:

2009/10 £000s		2010/11 £000s
346	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor	304
51	Fees payable to the appointed auditor for the certification of grant claims and returns (relating to 2009/10)	45
2	Fees payable to the appointed auditor in respect of non audit services	4
399	Total fee payable to appointed auditor	353
0	Fees payable to the Audit Commission in respect of statutory inspection	36
399	Total Audit Fee Payable	389

16 Long Term Contracts – Service Concessions

The Service Concessions entered into by the Council are two Private Finance Initiative (PFI) Schemes – Schools for the Future and Street Lighting (joint with Newcastle City Council), and one Local Improvement Finance Trust (LIFT) to provide a Joint Service Centre at Dudley.

Schools PFI Scheme

2010/11 was the eighth year of a thirty year PFI contract for the construction, maintenance and operation of four schools in the borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Kajima North Tyneside Limited, took on the obligation to construct and maintain the plant and equipment required to operate the schools. The buildings and any plant and equipment installed in them will transfer to the Council for nil consideration at the end of the contract.

The schools involved in the scheme are Burnside Community High School, Coquet Park First School, Marine Park First School and Western Community Primary School. As Western Community Primary School is a Trust School, the building does not appear on the Balance Sheet.

Street Lighting PFI Scheme

2010/11 was the seventh year of a twenty five year PFI contract for the replacement, maintenance and operation of street lighting provision in the borough. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to replace and maintain the assets

required to operate the street lighting across the borough. The assets will transfer to the Council for nil consideration at the end of the contract.

Dudley/Shiremoor Joint Service Centre (LIFT)

2010/11 was the fourth year of a twenty five year Local Improvement Finance Trust (LIFT) contract for the construction, maintenance and operation of a joint service centre at Dudley. The contract specifies minimum standards for the services to be provided, with deductions from the fee payable made if facilities are unavailable or performance is below minimum standards. The contractor, Newcastle & North Tyneside LIFTco took on the obligation to construct and maintain the building, plant and equipment required to operate the joint service centre. At the end of the twenty five year contract, the Council has the right to purchase the building, plant and equipment from the operator.

Property, plant and equipment

The assets used to provide the services listed above are recognised on the Council's balance sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 17.

Payments

The Council makes an agreed payment under each contract each year, all of which increase each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contracts at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as detailed below:

	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Payable in 2011/12	4,406	1,353	3,095	8,854
Payable within 2-5 years	17,626	6,329	11,401	35,356
Payable within 6-10 years	22,032	8,317	11,858	42,207
Payable within 11-15 years	22,032	10,159	8,879	41,070
Payable within 16-20 years	17,995	14,305	4,728	37,028
Payable within 21-25 years	4,756	8,118	899	13,773
Total	88,847	48,581	40,860	178,288

Although the payments made to the various contractors are described as unitary payments, they have been calculated to compensate the contractors for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The total of the liabilities outstanding to the contractors for the capital expenditure is as follows:

2009/10 £000s		2010/11 £000s
51,038	Balance outstanding at start of year	49,852
(1,387)	Payments made during the year	(1,467)
201	Capital expenditure incurred in the year	196
49,852	Balance outstanding at year-end	48,581

During 2010/11 there have been no renewals or terminations of the above schemes, and no major works have taken place. There have been no material changes in the arrangements with operators of any of the schemes during the year.

17 Property, Plant and Equipment

Movement on Balances – 2010/11

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
1 April 2010	666,879	388,606	29,820	108,589	1,656	8,868	27,705	1,232,123	53,320
Additions	35,731	10,572	3,351	8,239	0	1,625	340	59,858	309
Revaluations increases/(decreases) recognised in the Revaluation Reserve	0	13,470	0	0	0	2,428	0	15,898	
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(164,516)	(5,489)	0	0	0	(724)	0	(170,729)	(848)
Derecognition - Disposals	(484)	(7)	(3,043)	0	0	(2,058)	0	(5,592)	
Derecognition - Other	0	(129,527)	0	0	0	(1,800)		(131,327)	(5,743)
Assets reclassified (to)/from Held for Sale						(359)		(359)	
Other movements in Cost or Valuation	0	21,428	(1,041)	3,690	0	3,509	(27,586)	0	
At 31 March 2011	537,610	299,053	29,087	120,518	1,656	11,489	459	999,872	47,038

2010/11 Contd

**Accumulated
Depreciation &
Impairments**

1 April 2010

Depreciation charge

Depreciation written out to
the Revaluation Reserve

Depreciation written out to
the Surplus/Deficit on the
Provision of Services

Impairment losses/
(reversals) recognised in
the Surplus/Deficit on the
Provision of Services

Derecognition – Disposals

Derecognition - Other

Other movements in
Depreciation & Impairment

31 March 2011

Net Book Value

At 31 March 2011

At 31 March 2010

Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment £000s
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
(15,932)	(19,503)	(12,476)	(19,294)	(324)	(527)	0	(68,056)	(5,458)
(9,944)	(9,932)	(7,157)	(2,862)	(33)	(230)	0	(30,158)	(1,606)
0	2,149	0	0	0	3	0	2,152	0
15,932	1,353	0	0	0	128	0	17,413	1,039
(22,511)	(1,059)	(116)	0	0	(659)	0	(24,345)	(5)
16	0	3,043	0	0	151	0	3,210	0
0	10,522	0	0	0	97	0	10,619	341
0	(521)	521	0	0	68	0	68	0
(32,439)	(16,991)	(16,185)	(22,156)	(357)	(969)	0	(89,097)	(5,689)
505,171	282,062	12,902	98,362	1,299	10,520	459	910,775	41,349
650,947	369,103	17,344	89,295	1,332	8,341	27,705	1,164,067	47,862

Movement on Balances – 2009/10

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
Restated 1 April 2009	637,956	374,298	24,618	102,219	1,656	11,723	24,450	1,176,920	53,119
Additions	29,618	33,504	8,449	6,370	0	995	22,615	101,551	293
Revaluations increases/(decreases) recognised in the Revaluation Reserve	0	10,312	0	0	0	0	0	10,312	0
Revaluations increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(21,336)	(248)	0	0	(1,336)	0	(22,920)	(92)
Derecognition - Disposals	(695)	(21,327)	(2,999)	0	0	(2,671)	0	(27,692)	0
Assets reclassified (to)/from Held for Sale	0	(2,833)	0	0	0	(3,215)	0	(6,048)	0
Move to Surplus Assets	0	(3,372)	0	0	0	3,372	0	0	0
Other movements in Cost or Valuation	0	19,360	0	0	0	0	(19,360)	0	
At 31 March 2010	666,879	388,606	29,820	108,589	1,656	8,868	27,705	1,232,123	53,320

2009/10 Contd	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Accumulated Depreciation and Impairments									
Restated 1 April 2009	0	(15,455)	(9,624)	(16,588)	(291)	(472)	0	(42,430)	(3,835)
Depreciation charge	(15,949)	(9,093)	(5,851)	(2,706)	(33)	(399)	0	(34,031)	(1,623)
Depreciation written out to the Revaluation Reserve	0	2,829	0	0	0	0	0	2,829	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,909	0	0	0	100	0	2,009	0
Derecognition – Disposals	17	0	2,999	0	0	62	0	3,078	0
Move to Surplus Assets		223				(223)			0
Other movements in Depreciation and Impairment (Asset Held for Sale)	0	84	0	0	0	405	0	489	0
31 March 2010	(15,932)	(19,503)	(12,476)	(19,294)	(324)	(527)	0	(68,056)	(5,458)
Net Book Value									
At 31 March 2010	650,947	369,103	17,344	89,295	1,332	8,341	27,705	1,164,067	47,862
At 31 March 2009	637,956	358,843	14,994	85,631	1,365	11,251	24,450	1,134,490	49,284

The following statement shows progress of the Council's rolling programme for the revaluation of Property, Plant & Equipment. The basis for valuation is set out in the Statement of Accounting Policies (page 106).

Valued at historical cost

Valued at fair value as at:

2006/07

2007/08

2008/09

2009/10

2010/11

Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
£000s	£000s	£000s	£000s	£000s
		29,087		29,087
	3,360		2,657	6,017
	25,579		45	25,624
	92,405		6,048	98,453
	92,969		4	92,973
537,610	84,740		2,735	625,085
537,610	299,053	29,087	11,489	877,239

- (i) Council Dwellings are valued at current cost less a reduction of 63% for Social Housing use:

	£000s
Net Book Value at 31 March 2011	1,365,327
Social Housing Adjustment	(860,156)
Net Book Value after Adjustment for Social Housing	505,171

The Council was responsible for managing 15,522 dwellings at 31 March 2011 compared with 15,613 at 31 March 2010. The net reduction of 91 includes 26 properties sold and 62 properties demolished, with 3 properties having a change of use. The number of voids included in the above figures as at 31 March 2011 stands at 392 and there are 34 properties awaiting disposal. The stock is made up as follows:

1 April 2010		31 March 2011
	Low Rise Flats	
1,844	- 1 Bed	1,784
1,024	- 2 Bed	1,021
125	- 3+ Bed	125
	Medium Rise Flats	
485	- 1 Bed	484
1,145	- 2 Bed	1,143
105	- 3+ Bed	105
	Houses and Bungalows	
1,566	- 1 Bed	1,563
3,138	- 2 Bed	3,129
5,804	- 3 Bed	5,791
377	- 4+ Bed	377
15,613	Total	15,522

- (ii) Heritage Assets – Impact of the adoption of the new standard on the 2011/12 Financial Statements

The 2010 Code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of FRS30 Heritage Assets. As set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in the 2010/11 financial statements.

As at the reporting date of the 2010/11 financial statements the Council does not have the management information available to enable it to make any reasonable estimate of the heritage assets held.

<u>VALUATION CERTIFICATE</u> LAND AND PROPERTY HELD BY NORTH TYNESIDE COUNCIL
--

PREAMBLE:

The freehold and leasehold properties which comprise the Council's portfolio have been valued as at 1 April 2010 by the Council's internal Chartered Surveyors, either by myself or staff under my supervision. The valuations of properties recorded on the Asset Register have been componentised and carried out on the undermentioned bases but not fully in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The departures from the manual are as follows:

1. Properties have been inspected and valued by members of Strategic Property under my supervision.
2. In some instances, properties having a value of less than £20,000 have been recorded at a de-minimis value of £1.00.
3. Valuations of Council residential dwellings are based on their market values assuming vacant possession and their continued residential use but discounted by a prescribed rate to reflect their social housing use.
4. A four year programme of property re-valuations is in progress, therefore not all properties have updated valuations. Properties not revalued this year would have been last valued in either 2007, 2008, 2009 or 2010.

The reasons for the departures from the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors arise from practicality in relation to the volume of work involved and available staff resources and, in the case of residential dwellings, published guidance notes.

Valuations of properties regarded by the Council as operational are based on market value and undertaken by comparable and investment methods of valuation for the existing use or, where this could not be assessed because there was no market for the subject asset, by depreciated replacement cost method.

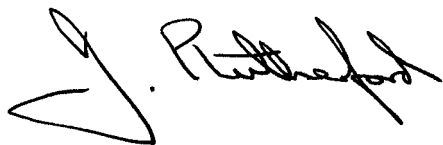
Valuations of properties regarded by the Council as non - operational are based on market value and undertaken by comparable and investment methods of valuation for their existing use.

Variations to properties between 1 April 2010 and 31 March 2011 (acquisitions, disposals and enhancements) have been valued at the date the change occurred.

VALUATION CERTIFICATE:

I certify that the properties in this report have been inspected by me (subject to paragraph 1 above), that I valued the properties (subject to paragraph 1 above) and prepared this report, and that I am not disqualified from reporting on the properties.

I also certify that the re-valuations carried out during 2010/11 represent my opinion of the value of the properties affected.

A handwritten signature in black ink, appearing to read 'J. Rutherford'.

John Rutherford, MRICS

For and on behalf of:

North Tyneside Council
Quadrant
The Silverlink North
Cobalt Business Park
North Tyneside
NE27 0BY

Tel: (0191) 643 6519

Date of Report: 3 June 2011

18 Summary of Capital Expenditure and Sources of Finance

Restated*

2009/10 £000s		2010/11 £000s
372,278	Opening Capital Financing Requirement	412,817
	Capital Investment	
101,551	Property, Plant & Equipment	59,858
719	Intangible Assets	541
0	Assets Held for Sale	95
13,876	Revenue Expenditure Funded from Capital Under Statute	23,323
116,146		83,817
	Sources of Finance	
(4,308)	Capital Receipts	(5,484)
(55,814)	Government Grants and Other Contributions	(25,914)
(6,115)	Direct Revenue Contributions	(1,835)
(9,370)	Minimum Revenue Provision	(10,960)
(75,607)		(44,193)
412,817	Closing Capital Financing Requirement	452,441
	Explanation of Movements in Year	
6,663	Increase in underlying need to borrow (supported by Government financial assistance)	5,628
32,187	Increase in underlying need to borrow (unsupported by Government financial assistance)	32,750
1,488	Assets acquired under Finance Leases	1,050
201	Assets acquired under PFI or similar Contracts	196
40,539	Increase/(Decrease) in Capital Financing Requirement	39,624

* See Note 1 for further details on prior period adjustments

19 Capital Commitments

Council approved the General Fund Capital Plan and the Housing Capital Plan for 2011-2021 on 3 March 2011. The current contractually committed schemes contained within the approved plan comprise:

	£000s
Central Services	907
Cultural & Related Services	1,964
Environment & Regulatory Services	1,144
Planning Services	322
Children's & Education Services	1,046
Housing Services	1,498
Highways & Roads	388
	7,269

Major schemes within the above totals include:

	£000s
Tynemouth Station	1,964
Housing HRA Schemes	1,498
Education & Schools	1,046
Cullercoats Pier Design & Construction	989

20 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2009/10 £000s		2010/11 £000s
(117)	Rental income from investment property	(106)
8	Direct operating expenses arising from investment property	5
(109)	Net (gain)/loss	(101)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment Property over the year:

2009/10 £000s		2010/11 £000s
1,327	Balance at start of year	1,549
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent Expenditure	0
0	Disposals	(60)
222	Net gains/(losses) from fair value adjustments	16
	Transfers:	
0	To/from Inventories	0
0	To/from Property, Plant and Equipment	0
0	Other Changes	0
1,549	Balance at end of year	1,505

21 Intangible Assets

The carrying amount of intangible assets is amortised on a straight line basis over its useful life. Due to the nature of these assets the useful life is currently 3 years. The amortisation of £0.335m charged to revenue in 2010/11 was charged to the Information Technology administration cost centre and then absorbed as an overhead cost across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2009/10 £000s		2010/11 £000s
	Balance at start of year:	
532	Gross carrying amounts	1,251
(158)	Accumulated amortisation	(335)
374	Net carrying amounts at start of year	916
	Additions:	
719	Purchases	541
(177)	Amortisation for the period	(417)
916	Net carrying amount at end of year	1,040
	Comprising:	
1,251	Gross carrying amounts	1,792
(335)	Accumulated amortisation	(752)
916		1,040

22 Long Term Investments

31 March 2010 £000s		31 March 2011 £000s
	Long Term Investments:	
520	£1 Ordinary shares in Newcastle Airport Local Authority Holding Company Ltd	520
0	Kier North Tyneside Limited – 200 £1 A ordinary shares	0
520		520

Newcastle Airport Local Authority Holding Company Ltd

Under the Airport Act 1986, Newcastle International Airport Limited (NIAL) was formed and seven Local Authorities were allocated shares in consideration for all the property, rights and liabilities that were transferred into the new company. In consideration of this transfer the Council received shares in the new company.

On 4th May 2001, the seven Local Authority (the 'LA7') shareholders of NIAL entered into a strategic partnership with Copenhagen Airports Limited for the latter to purchase a 49% share of Newcastle International Airport. This involved the creation of a new company, NIAL Holdings Ltd which the LA7 owned 51%. The 51% holding is held in the Newcastle Airport Local Authority Holding Company Ltd, a company wholly owned by the seven authorities. North Tyneside Council has a material interest in Newcastle Airport Local Authority Holding Company Ltd. The Newcastle Airport Local Authority Holding Company Limited has a called up share capital of 10,000 shares with a nominal value of

£1 each. North Tyneside Council has a shareholding of 1,214 shares representing a 12.14% interest in the company. The shares are not held for trading outside of the LA7.

At the time of the acquisition of the new shares, the net worth of NIAL Holdings Limited was £134.000m and the Council's share of this valuation (12.14% of 51%) was £8.297m. The valuation of NIAL Holdings Limited is reviewed annually. A full independent valuation was carried out in May 2010 which valued the shareholding at £0.520m based upon the discounted cash flow method. There has been no significant change in external factors since the valuation that would materially affect the value of the shareholding.

The Local Authority shareholders received £95.000m in cash for the 49% shareholding in NIAL Holdings and an additional £100.000m issued by the Company in the form of short and long-term loan notes. The latter payments are in recognition of the value built up in NIAL over previous years. £25.000m long-term loan notes are being paid in ten annual instalments, starting in 2003/04, of which the Council will receive £3.025m. This is recognised within Long Term Debtors, see note 23. North Tyneside Council's 12.14% shareholding in Newcastle Airport Local Authority Holding Company Ltd is an effective shareholding of 6.2% Newcastle International Airport Ltd (and other group companies NIAL Group Limited and NIAL Holdings Ltd).

The principal activity of Newcastle International Airport Ltd (Registered No 04184967) is the provision of landing services for both commercial and freight operators. There have been no trading transactions between the Council and NIAL during the year.

Dividends paid for year ended 31 December 2010 amounted to £nil. The total dividend payable for year ended 31 December 2009 was nil. There are no outstanding balances owed to or from NIAL at the end of the year. NIAL Group Ltd made a loss before tax of £4.823m and a loss after tax of £1.786m for the year ended 31 December 2010.

NIAL Group Limited had net assets of £xm for the year ended 31 December 2010 (£99.036m at 31 December 2009). (Published Accounts are not yet available, this will be updated for the final audited version of this document). A request for a copy of NIAL Group Limited accounts should be made in writing to the following address:
Head of Finance, South Tyneside Council, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL.

Kier North Tyneside Limited

A contract with Kier North Tyneside Limited was established in September 2009 to deliver the housing and public building maintenance, housing programmed works and general capital works for North Tyneside Council. The Council maintains a 20% holding in Kier North Tyneside Limited as a long term investment (200 £1 "A" ordinary shares).

Kier North Tyneside Limited was incorporated on 8 June 2009, and started a contract with the Council on 6 September 2009 which runs to 31 March 2019. Between 1 April 2010 and 31 March 2011, Kier North Tyneside Limited invoiced the Council £53.928m (net of VAT) for completed works and services.

In respect of revenue works, the Council paid monthly cash-flow payments to Kier North Tyneside Limited of £10.776m in respect of service streams from April 2010 through to March 2011. At 31 March 2011 the Council owed Kier North Tyneside Limited £1.997m in respect of cash-flow service streams. Other service streams within the contract are based on monthly invoices, the balance outstanding to Kier North Tyneside Limited in

respect of these as at 31 March 2011 was £2.656m net of VAT.

A full set of audited accounts for Kier North Tyneside Limited will be available following their accounting period ended 30 June 2011.

23 Long Term Debtors

1 April 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
34	34	Housing Association	34
646	780	Car Loans	698
907	604	Airport Loan Notes	303
5	5	Dangerous Buildings	5
12	9	Works in Default	9
160	160	LIFT Company	160
1,764	1,592	Total	1,209

Long term loan notes of £25.000m were issued by NIAL Holdings PLC of which the Council's share was £3.025m. This is being repaid in instalments over ten years with the first instalment being paid in 2003/04.

24 Assets Held for Sale

2009/10 £000s		2010/11 £000s
958	Balance outstanding at start of year	4,430
5,559	Assets newly classified as held for sale: Property, Plant & Equipment	386
0	Revaluation losses	0
0	Revaluation gains	0
(1,129)	Impairment losses	(303)
0	Assets declassified as held for sale: Property, Plant & Equipment	0
(958)	Assets sold	(981)
4,430	Balance outstanding at year-end	3,532

25 Inventories

Balance at 1 April 2009
Movement in year
Balance at 31 March 2010

Consumable Stores £000s	Maintenance Materials £000s	Total £000s
561	411	972
2	(386)	(384)
563	25	588

Balance at 1 April 2010
Movement in year
Balance at 31 March 2011

563	25	588
0	5	5
563	30	593

26 Short Term Debtors

This table shows the amounts owed to the Council for which payments have not been received by 31 March 2011, but which should be repaid within one year.

Restated*

1 April 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
9,262	4,437	Central Government Bodies	5,834
799	373	Other Local Authorities	323
107	89	NHS Bodies	202
85	240	Public Corporations and Trading Funds	100
19,841	27,774	Other Entities and individuals	25,628
30,094	32,913	Total	32,087

This year the Council set aside a sum of £8.394m (£8.091m 2009/10) to cover bad and doubtful debts. Of this £3.177m (£2.928m 2009/10) relates to the General Fund, £1.863m (£2.000m 2009/10) relates to the Housing Revenue Account and £3.354m (£3.163m 2009/10) relates to the Collection Fund.

* See Note 1 for further details on prior period adjustments.

27 Cash and Cash Equivalents

Restated*

1 April 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
180	175	Cash held by the Council	165
7,122	7,359	Schools Cash at Bank	7,042
(10,593)	(8,851)	Bank Current Accounts	(5,972)
0	26,000	Short term deposits	9,600
(3,291)	24,683	Total	10,835

* See Note 1 for further details on prior period adjustments.

28 Short Term Borrowing

1 April 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
(11,230)	(25,224)	Public Works Loans Board (PWLB)	(25,579)
(13,391)	(25,358)	Market Loans (including other local authorities)	(26,416)
(24,621)	(50,582)	Total	(51,995)

29 Short Term Creditors

The table below shows an analysis of the Council's creditors as at the 31 March 2011.

Restated*

1 April 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
(8,902)	(7,488)	Central Government Bodies	(6,040)
(446)	(86)	Other Local Authorities	(237)
(154)	(54)	NHS Bodies	(106)
(92)	0	Public Corporations and Trading Funds	0
(32,651)	(36,876)	Other Entities and individuals	(24,359)
(42,245)	(44,504)	Total	(30,742)

* See Note 1 for further details on prior period adjustments.

30 Provisions

Provisions have been made for known liabilities uncertain as to the amount or timing, in compliance with IAS37.

	Long Term		Short Term		
	Estimated Insurance Liabilities (a) £000s	Waste Payments (b) £000s	Equal Pay (c) £000s	Other Provisions (d) £000s	Total £000s
Balance at 1 April 2009	(1,536)	0	(2,112)	(50)	(3,698)
Additional provisions made in 2009/10	(724)	(1,539)	(12,770)	(570)	(15,603)
Amounts used in 2009/10	0	0	1,723	50	1,773
Balance at 31 March 2010	(2,260)	(1,539)	(13,159)	(570)	(17,528)
Totals		(3,799)		(13,729)	
Balance at 1 April 2010	(2,260)	(1,539)	(13,159)	(570)	(17,528)
Additional provisions made in 2010/11	(640)	(1,400)	(5,287)	(684)	(8,011)
Amounts used in 2010/11	0	150	8,447	560	9,157
Balance at 31 March 2011	(2,900)	(2,789)	(9,999)	(694)	(16,382)
Totals		(5,689)		(10,693)	

(a) Provision for Estimated Insurance Liabilities

The provision includes estimated figures for known claims against the Insurance Reserve. Due to the varied nature of these claims it is not practicable to set out expected timings of individual claims.

(b) Provision for Waste payments

Negotiations are ongoing in respect of an issue with the Council's waste disposal contractor in relation to payment of charges and landfill tax. These negotiations are commercially sensitive so it is not appropriate to include detail here. The timing of the release of the provision is dependent on these negotiations.

(c) Provision for Equal Pay

In 2009/10 the Council reached an agreement to settle a substantial number of claims from employees relating to equal pay issues. As this agreement was reached in March 2010 the actual settlement payments were not made in financial year 2009/10. Further claims have continued in 2010/11 and as at 31 March 2011 over 500 cases were outstanding. The estimated total cost of these claims is £9.999m and it is anticipated the payments will be made during 2011/12.

(d) Other Provisions

These include:

- Redundancy Costs £0.572m – as part of the 2011/12 budget, it was agreed a number of posts would be made redundant. The provision is to cover the potential redundancy costs arising from this exercise which are expected to be paid during 2011/12;
- Employment Tribunal £0.010m – final judgement has not yet been passed; and
- Her Majesty Revenue & Customs (HMRC) £0.112m – relates to a potential fine to HMRC in respect of underpaid tax and National Insurance contributions as a result of a HMRC audit, consultations are still ongoing with HMRC regarding this matter, although settlement is expected during 2011/12.

(e) Long term provisions have not been discounted as this is not expected to have a material impact on the Accounts.

31 Long Term Borrowing

The Council's total outstanding debt repayable over 12 months as at 31 March 2011 is a principal of £284.750m. The following table analyses the debt by lender and maturity:

1 April 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
		(a) by lender category	
(224,750)	(244,750)	Public Works Loan Board (PWLB)	(264,750)
(20,000)	(20,000)	Lenders Option Borrower's Option (LOBO) – Europaise Hypothekenbank	(20,000)
(244,750)	(264,750)		(284,750)
		(b) by maturity	
0	(20,000)	Maturing between 1 and 2 years	(30,000)
(20,000)	(58,100)	Maturing between 2 and 5 years	(78,100)
(63,850)	(51,750)	Maturing between 5 and 10 years	(42,750)
(160,900)	(134,900)	Maturing more than 10 years	(133,900)
(244,750)	(264,750)		(284,750)

32 Reserves & Balances

	Balance 1 April 2010 £000s	Transfers out 2010/11 £000s	Transfers in 2010/11 £000s	Balance 31 March 2011 £000s
<u>General Fund Balances</u>				
School Balances	(5,252)	0	(1,172)	(6,424)
General Fund	(6,602)	0	(2)	(6,604)
Total General Fund Balances	(11,854)	0	(1,174)	(13,028)
<u>General Reserves</u>				
Insurance	(6,449)	479	(177)	(6,147)
Fish Quay Properties Ringfenced	(97)	58	(151)	(190)
Street Lighting PFI	(496)	0	(31)	(527)
Section 117	(626)	95	(2)	(533)
Education PFI	(1,133)	0	(160)	(1,293)
Hackney Carriages	(5)	0	(3)	(8)
Building Control	(298)	185	0	(113)
Feasibility Study	(73)	31	(70)	(112)
Strategic Reserve	(8,922)	4,064	(2,522)	(7,380)
Dudley & Shiremoor Joint Service Centres	(653)	0	(209)	(862)
Adult Social Care Procurement	0	0	(658)	(658)
Area Forums	0	0	(65)	(65)
Health & Safety	(73)	36	0	(37)
Equality & Diversity	(113)	65	0	(48)
Schools PFI Lifecycle costs (capital)	(1,557)	7	(283)	(1,833)
Dudley PFI Lifecycle costs (capital)	0	0	(127)	(127)
Communities & Local Government Bond Bank	0	0	(30)	(30)
Direct Access Units – Furniture	(138)	0	0	(138)
Total General Reserves	(20,633)	5,020	(4,488)	(20,101)
<u>Grant Reserves</u>				
Housing Growth Point	(133)	133	(122)	(122)
European Social Fund Funding	(94)	94	(267)	(267)
Winter Pressures	0	0	(700)	(700)
Department of Work & Pensions Reward Grant	0	0	(2,978)	(2,978)
Entry to Employment	(4)	4	(156)	(156)
Social Work Remodelling	0	0	(119)	(119)
Dedicated Schools Grant	0	0	(789)	(789)
Other Grants (individually under £0.100m)	(1,629)	1,626	(530)	(533)
Total Grant Reserves	(1,860)	1,857	(5,661)	(5,664)
Total Reserves	(22,493)	6,877	(10,149)	(25,765)

Purpose of main General Reserves

<u>Reserve</u>	<u>Purpose</u>
Insurance Reserve	Risks covered by the reserve are fire, employer & third party liability, contract guarantee bonds, motor cars, personal accident.
Fish Quay Properties	Ring-fenced reserve required by grant provider such that any surplus rental income must be used for this area.
Street Lighting PFI	Set up to equalise cash flows relating to the Council's street lighting PFI Scheme.
Section 117	Reserve for the repayment of income collected from individuals in receipt of Section 117 services following the court appeal ruling that these services should be viewed as continuing care and should be jointly funded by Health & Local Government and as such should be provided free.
Education PFI	Established to provide a mechanism which takes account of project cash-flows over a 30-year period to enable the yearly equalisation of the additional costs of the PFI schools.
Hackney Carriages	Ring-fenced reserve set up at the request of the Hackney Carriages and Private Hire Trade representatives whereby any surplus from fees is reinvested in the service.
Building Control	Reserve set up to comply with the accounting requirements of the Building (Local Authority Charges) Regulations 1998.
Feasibility Study	Set up to fund feasibility studies of potential capital schemes.
Strategic Reserve	Established to address future potential significant external pressures on the Council's budget.
Dudley & Shiremoor Joint Service Centres	Established to provide a mechanism which takes account of project cash-flows over a 25-year period to enable the yearly equalisation of the additional costs of the Joint Service Centre.
Adult Social Care Procurement	Established to implement the Adult Social Care Procurement Plan for 2011-13.
Health & Safety	Set up to support Health & Safety training for all council employees.
Equality & Diversity	Set up to support Equality & Diversity training for all council employees.
Schools PFI Lifecycle costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the contract.
Dudley PFI Lifecycle costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the contract.
Direct Access Units	A furniture reserve to fund a rolling programme of refurbishments to the Direct Access Units & Dispersed Units.

Purpose of main Grant Reserves

<u>Reserve</u>	<u>Purpose</u>
Housing Growth Point	To allow Local Authorities to invest in the essential services required to accompany the building of new homes, from transport links and schools to the regeneration of town centres and the provision of parks and other green spaces.
European Social Fund Funding	Supporting young people aged 14-19 and increasing their participation in learning through locally defined and delivered interventions focusing on provision to support progression into mainstream learning, work to prevent young people disengaging, support for young people during periods of learning transition.
Winter Pressures	Monies received from Health to allow Adult Services to develop re-ablement services linking into Community Services, Primary Care Trust, Foundation Trusts and GP Consortia.
Department of Work & Pensions Reward Grant	To support the creation of jobs and the employment of long term unemployed young people on Jobseekers Allowance and long term claimants of out of work benefits in areas of high unemployment.
Entry to Employment	A programme which helps young people aged 16-19 who have left school with no formal qualifications to either find employment or encourages them to get into further education.
Social Work Remodelling	Grant used to offer support to newly qualified social workers in their first year of employment, supporting social workers who have successfully completed the Newly Qualified Social Work (NQSW) year, supporting front line social work managers, recruitment and retention of social workers and reshaping the delivery of social work services.
Dedicated Schools Grant	Ring fenced grant that can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.

33 Unuseable Reserves

31 March 2010 £000s		31 March 2011 £000s
(51,802)	Revaluation Reserve	(53,132)
(520)	Available for Sale Reserve	(520)
(706,502)	Capital Adjustment Account	(411,437)
1	Financial Instruments Adjustment Account	133
(916)	Deferred Capital Receipts Reserve	(609)
403,388	Pensions Reserve	324,173
(143)	Collection Fund Adjustment Account	(104)
7,701	Unequal Pay Back Pay Account	3,255
5,328	Accumulated Absences Account	4,236
(343,465)	Total Unuseable Reserves	(134,005)

33(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or,
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000s		2010/11 £000s	
(41,976)	Balance at 1 April		(51,802)
(20,108)	Upward revaluation of assets	(18,336)	
7,054	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	286	
(13,054)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/ Deficit on the Provision of Services		(18,050)
1,131	Difference between fair value depreciation and historical cost depreciation	1,417	
2,097	Accumulated gains on assets sold or scrapped	15,303	
3,228	Amount written off to the Capital Adjustment Account		16,720
(51,802)	Balance at 31 March		(53,132)

33(b) Available for Sale Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost; and
- Disposed of and the gains are realised.

2009/10 £000s		2010/11 £000s
(986)	Balance at 1 April	(520)
0	Upward revaluation of investments	0
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
466	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
(520)	Balance at 31 March	(520)

33(c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (note 2) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000s			2010/11 £000s
	<u>Capital Adjustment Account</u>		
(723,055)	Balance at 1 April		(706,502)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
35,234	Charges for depreciation & impairment of non current assets	54,806	
20,822	Revaluation losses on Property, Plant & Equipment	153,317	
177	Amortisation of intangible assets	417	
13,876	Revenue expenditure funded from capital under statute	23,323	
(2,905)	Revenue expenditure funded from capital under statute (Grant Funded)	(3,941)	
25,496	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	124,132	
92,700			352,054
(3,228)	Adjusting amounts written out of the Revaluation Reserve		(16,720)
89,472	Net written out amount of the cost of non current assets consumed in the year		335,334
	Capital financing applied in the year:		
(4,308)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,484)	
(10,031)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,197)	
(41,324)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(9,597)	
(1,553)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,179)	
(9,365)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,960)	
(6,116)	Capital expenditure charged against the General Fund & HRA balances	(1,835)	(40,252)
(222)	Movements in the market value of investment Property debited or credited to the Comprehensive Income & Expenditure Statement		(17)
(706,502)	Balance at 31 March		(411,437)

33(d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums and discounts paid or received on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balances to the account in the Movement in Reserves Statement.

Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term of the replacement loan. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are received, but reversed out of the General Fund Balances to the account in the Movement in Reserves Statement. Income is posted back to the General Fund Balance in accordance with statutory arrangements over the lesser of the unexpired period of the loan or 10 years.

2009/10 £000s		2010/11 £000s £000s	
(124)	Balance at 1 April		1
0	Premiums or Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement		0
(262)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(251)	
387	Proportion of discounts received in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	383	
125	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		132
1	Balance at 31 March		133

33(e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The

statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000s		2010/11 £000s
303,964	Balance at 1 April	403,388
84,608	Actuarial (gains) or losses on pensions assets and liabilities	14,370
45,440	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	(63,537)
(30,624)	Employer's pensions contributions and direct payments to pensioners payable in the year	(30,048)
403,388	Balance at 31 March	324,173

33(f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £000s		2010/11 £000s
(1,225)	Balance at 1 April	(916)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
309	Transfer to the Capital Receipts Reserve upon receipt of cash	307
(916)	Balance at 31 March	(609)

33(g) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £000s		2010/11 £000s
(319)	Balance at 1 April	(143)
176	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	39
(143)	Balance at 31 March	(104)

33 (h) Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2009/10 £000s		2010/11 £000s £000s	
0	Balance at 1 April		7,701
14,882	Increase in provision for back pay in relation to Equal Pay cases	5,287	
(1,723)	Cash settlements paid in year	(2,989)	2,298
13,159			9,999
(5,458)	Equal Pay Capitalised during the year		(6,744)
7,701	Balance at 31 March		3,255

33(i) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2009/10 £000s		2010/11 £000s	
		£000s	£000s
4,980	Balance at 1 April		5,328
451	Adjustment to the accrual required for 2010/11	(1,134)	
(103)	Adjustment to the debtor in respect of leave & flexi taken in advance	42	
348	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,092)
5,328	Balance at 31 March		4,236

34 **Contingent Liabilities**

In 2009/10 the Council reached an agreement to settle a substantial number of claims from employees relating to equal pay issues. Where the settlements have not been paid in the year the liability has been recognised in the accounts and a provision set aside on the Balance Sheet for the estimated cost. However, the potential for further such claims in 2011/12 remains. It is not possible at this point to quantify the number of such future claims, or the amounts involved in any related settlements. No specific provision has therefore been made for any liability arising against the Council for such future potential claims.

The Council has given an undertaking to underwrite up to £0.750m of the costs of detailed intrusive survey works to be undertaken by short listed bidders in connection with the preparation of final submissions for the Quality Homes for Older People Project. This expenditure would only be incurred in the event of the procurement process for the PFI Project becoming abortive as a result of external funding or PFI credit becoming no longer available, or the Council resolving to abort the procurement process for the project.

A contract with Kier North Tyneside Limited was established in September 2009 to deliver the housing and public building maintenance, housing programmed works and general capital works for North Tyneside Council. Establishing this contract included transfer of staff under TUPE (Transfer of Undertakings, Protection of Employment Regulations) arrangements to Kier North Tyneside Limited, with an agreement in place that allowed those staff transferred to continue membership of the Local Government Pension Scheme.

Kier North Tyneside Limited then became an admitted body to the Tyne & Wear Pension Fund with the Council acting as guarantor. In establishing this agreement, Kier North Tyneside Limited agree to acquire a bond to protect the Pension Fund against costs that might arise should the contract with Kier North Tyneside Limited cease prematurely. The bond has been agreed at £3.000m, but North Tyneside Council remains liable for any liability in excess of the level of the bond. The Council is also liable for any employer contribution costs above the agreed contribution rate that arise from an actuarial valuation.

North Tyneside Council is guarantor to the Tyne & Wear Pension Fund in respect of a number of admitted bodies. A liability would arise at the time these bodies default on contributions to the fund or cease operations. The cost to the Council would only be known following an actuarial terminal valuation.

North Tyneside Council together with the other Tyne & Wear districts, are also guarantors to a number of organisations that cover the Tyne & Wear Pension Fund and Newcastle International Airport Company Limited.

35 School Balances

	Schools with Surpluses £000s	Schools with Deficits £000s	Net Surplus £000s
Balance at 1 April 2010	(5,855)	603	(5,252)
Net (underspend)/overspend during year	(1,091)	(81)	(1,172)
Balance at 31 March 2011	(6,946)	522	(6,424)

The above balances are committed to be spent solely on the Education Service of the Council.

36 Trust Funds

The Council administers several trust funds relating to specific services. These are varied in nature and relate principally to legacies left over a period of years. All funds are invested in accordance with the terms of the trust deeds. The funds do not represent assets of the Council and are not included in the Balance Sheet. The principle funds are:

31 March 2010 £000s		31 March 2011 £000s
29	Education Trust Funds	0
24	Westmoorland and Forest Hall War Memorial Institute	24
22	Heward Trust	22
42	Wallsend Civic Hall	42
7	Others	7
124	Total	95

37 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies (the Dedicated Schools Grant - DSG) which is provided by the Department for Education (DfE). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a restricted range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure £000s	Individual Schools budget £000s	Total £000s
Final DSG for 2010/11			(111,364)
Brought forward from 2009/10			216
Agreed budgeted distribution in 2010/11	(6,126)	(105,022)	(111,148)
Actual Central Expenditure	6,150		6,150
Actual ISB deployed to Schools		104,209	104,209
Local Authority contribution for 2010/11	0	0	0
Carry forward to 2011/12	24	(813)	(789)

38 Health Act 1999 Pooled Funds and similar arrangements

The Council has two separate pooled budget arrangements under section 31 of the Health Act 1999. They are both joint working relationships between health and social care.

Intermediate Care

The purpose of the partnership is:

- The improvement of intermediate care for older people to facilitate early discharge for people who are medically fit, but need extra support through rehabilitation and preventing unnecessary admission to hospital or long term care through working together as partners;
- Ensuring that the service reflects the needs of the service user/patient and their carers, and ensures equality of access to the service;
- Freeing up capacity in local services e.g. prevention of delayed discharges;
- Ensuring the service provided is efficient, effective, timely and equitable; and
- The agreement leads to an improvement in the way in which partners prescribed functions are exercised.

The partners are North Tyneside Council and North Tyneside Primary Care Trust (the Council is the host partner). The gross expenditure is £1.744m, income £0.012m leaving net expenditure of £1.732m, with the Council's contribution being £1.200m.

Joint Loan Store

The purpose of the partnership is:

- The continued provision of a Loan Equipment Service as outlined in the Department of Health's Guide to Integrating Community Equipment Services to residents of North Tyneside;
- To provide premises to house a Loan Equipment Service;
- To offer appropriate training to staff and service users in the use of all equipment supplied in the service;
- To implement an IT system capable of tracking equipment, assisting with recycling, stock control and delivery scheduling;
- To offer a "one stop shop" for community equipment; and
- To increase the number of people benefiting from community equipment services.

The partners are North Tyneside Council and North Tyneside Primary Care Trust (the Council is the host partner). The gross expenditure is £1.260m, income £0.069m leaving net expenditure of £1.191m, with the Council's contribution being £0.697m.

39 Financial instruments

Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2010 £000s	31 March 2011 £000s	31 March 2010 £000s	31 March 2011 £000s
Financial liabilities at amortised cost:				
Loans	264,750	284,750	50,582	51,995
PFI Schemes	48,581	47,228	1,271	1,353
Finance Leases	1,773	2,067	896	678
Total Financial Liabilities	315,104	334,045	52,749	54,026
Loans and receivables	0	0	240	230
Available-for-sale assets	520	520	0	0
Total Investments	520	520	240	230

Included within the current balances above include accrued interest within the liability/asset category of:

Financial liabilities £5.838m (2009/10 £5.425m)

The Council also holds a number of long-term debtors, some of which meet the definition of financial instruments. Note 23 sets out the total balance at the year-end of £1.209m (2009/10 £1.592m) of which £1.049m (2009/10 £1.432m) relates to financial instruments. These are held at amortised cost.

Financial instruments gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments (borrowings and investments in the table above) are made up as follows:

	2010/11		
	Financial Liabilities	Financial assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s
Interest on loans	(16,823)	0	0
Interest on PFI Schemes	(3,182)	0	0
Interest on Finance Leases	(124)	0	0
Total Interest Payable	(20,129)	0	0
Interest income	0	0	0
Loss on movement on Available for Sale Reserve	0	0	0
Net gain/(loss) for the year	(20,129)	0	0

2009/10			
Financial liabilities	Financial assets		Total
Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	£000s
Interest on loans	(15,775)	0	(15,775)
Interest on PFI Schemes	(3,262)	0	(3,262)
Interest on Finance Leases	(82)	0	(82)
Total Interest Payable	(19,119)	0	(19,119)
Interest Income	0	0	0
Loss on movement on Available for Sale Reserve	0	(466)	(466)
Net gain/(loss) for the year	(19,119)	0	(19,585)

Fair value of assets and liabilities at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2011 for loans/receivables based on the market rate for an instrument with the same duration;
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount. Cash at bank and overdrawn amounts are held at the nominal value, as disclosed on the face of the balance sheet. These are not included in the financial instruments information included below; and
- The fair value of the PFI and Finance Leases is taken to be the same as the carrying value as the interest rate applied is driven from the overall calculation of the unitary charge in the operators' models. This calculation takes into account wider factors applying to the contract therefore it is not considered appropriate to apply an interest rate from a simple loan over a comparable contract term.

The fair values are calculated as follows:

31 March 2011	
Carrying amount £000s	Fair value £000s
PWLB loans	290,329
Lender option borrower option loan	20,160
Market loans (including other local authorities)	26,256
Total Financial liabilities	336,745
	380,285

31 March 2010	
Carrying amount £000s	Fair value £000s
PWLB loans	269,975
Lender option borrower option loan	20,160
Market loans (including other local authorities)	25,197
Total Financial liabilities	315,332
	307,908
	24,501
	25,022
	357,431

The fair value is greater than the carrying value because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above the current market rates increases the amount that the Council would have to pay if the lender requested or agreed to the early repayment of the loans.

31 March 2011	
Carrying amount £000s	Fair value £000s
Fixed rate investments	230
	230

31 March 2010	
Carrying amount £000s	Fair value £000s
Fixed rate investments	240
	240

The carrying amount and the fair value of the assets are comparable reflecting the fact that, on average, the fixed rate investments are at interest rates consistent with the market rate at the Balance Sheet date.

Soft Loans – The Council offers car loans to employees. The 2010 Code requires that where local authorities offer loans to third parties at below market rates they must be accounted for on a fair value basis. These loans are offered at an annual percentage rate (APR) of 7.7%. As this rate is not materially different from the prevailing market rate for similar loans, there would be no material difference between the amortised cost and fair value of the loan. The loans are therefore held at amortised cost.

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and,
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Management Team, under policies approved by Council in the 'Treasury Management and Annual Investment Strategies'. This provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit rate risk and the investment of surplus cash. The annual treasury management strategy is available on the Council's website.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the Council's minimum credit requirements. This is assessed using information on these institutions provided by our external Treasury Management advisors. The Council has a policy of not lending more than £20.000m of its surplus funds to any one institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability in recent years, adjusted to reflect current market conditions. The deposits with financial institutions relates to short-term investments placed at the year-end.

	31 March 2011	Historical experience of default	Historical experience adjusted for market conditions 31 March 2010	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with financial institutions (principal)	0	0	0	0
Customers (gross)*	40,481	0	0	8,394

*The amount shown as being due from customers is the gross debtors figure. Based on our experience of debt management, it is prudent to make a bad debt provision for debt that may not be collectable. The method of calculating the appropriate provision is based on an analysis of the specific debt rather than a general percentage. The calculation of the provision takes into account the age of the debt for the General Fund and Collection Fund, and the value of the debt for the HRA. At 31 March 2011 this provision is £8.394m and the debtor included in the Balance Sheet is net of this provision.

The Council does not generally allow credit for its debtors. Trade debtors account for £9.791m of the gross debtors balance disclosed above. £2.517m of the trade debtors balance is more than one month, i.e. past its due date, and can be analysed as follows:

31 March 2010 £000s		31 March 2011 £000s
594	1-3 months	949
373	3-6 months	369
316	6-12 months	222
882	Over 1 year	977
2,165	Total	2,517

No credit limits were exceeded during the financial year ended 31 March 2011 and the Council does not expect any losses from non-performance by any of its counterparties in relation to investments/deposits. No exposure is expected in relation to deposits with financial institutions.

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finances to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Treasury Management Strategy is to continually review the profile of maturity dates so that it does not expose the Council to undue risk.

The maturity analysis of the financial loans is as follows:

31 March 2010 £000s		31 March 2011 £000s
50,582	Less than 1 year	51,995
20,000	Between 1 and 2 years	30,000
58,100	Between 2 and 5 years	78,100
51,750	Between 5 and 10 years	42,750
134,900	More than 10 years	133,900
315,332		336,745

All trade and other payables are due to be paid in less than 1 year.

Market risk

Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowings will fall;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and,
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings and investments are not carried at fair value; so nominal gains and losses on fixed rate borrowings and investments would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound.

The Council has a number of strategies for managing interest rate risk. The policy is to keep a maximum of 30% of its borrowings in variable rate loans, although there are no such loans at present. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposures to losses. The risk is ameliorated by the fact that a proportion of government grant payable, relating to supported borrowing, will normally move with the prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting and monitoring of the annual budget. The budget is monitored bi-monthly during the year which allows any adverse changes to be accommodated. The analysis will also advise on whether new borrowing taken out is fixed or variable. Councils are required to disclose the impact of interest rate changes on their financial assets and liabilities. Whilst there is provision in the Treasury Management Strategy for variable loans, no such loans were in place during 2010/11.

According to this investment strategy, as at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2011 £000s
Change in fair value of fixed rate investments	0
Decrease in fair value of fixed rate borrowings liabilities (which does not have an impact on the Comprehensive Income and Expenditure Statement)	26,794

The impact of a fall in interest rates would be as above but with the movements reversed.

Price risk

The Council does not generally invest in equity shares; consequently it is not exposed to losses arising from movements in the prices of shares.

The Council does hold an investment in Newcastle Airport Local Authority Holding Company Ltd. As there is no active market for these assets they are held as available-for-sale assets and valued at cost less impairment.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus no exposure to loss arising from movements in exchange rates.

40 Cash held on behalf of third parties

The Council held £0.318m as at 31 March 2011 (£0.058m (dr) in 2009/10) on behalf of third parties. This amount has been excluded from the Council's cash balance as at the year-end.

41 Notes to the Cash Flow - Revenue Activities

This statement is the reconciliation between the net surplus or deficit on the Comprehensive Income & Expenditure Statement to the revenue activities net cash flow from operating activities.

Restated

2009/10 £000s		2010/11	
		£000s	£000s
(60,019)	Surplus/(Deficit) for the year		(204,816)
	Non Cash Transactions		
35,234	Depreciation	54,806	
20,823	Impairment and downward valuations	153,317	
177	Amortisation	417	
(40)	Increase/(Decrease) in Interest Creditors	413	
4,735	Increase/(Decrease) in Creditors	(6,941)	
1,499	(Increase)/Decrease in Interest & Dividend Debtors	0	
(511)	(Increase)/Decrease in Debtors	761	
384	(Increase)/Decrease in Inventories	(5)	
14,813	Pension Liability	(93,585)	
2,782	Contributions (to)/from Provisions	2,014	
11,048	Provision for Equal Pay	(3,160)	
25,496	Carrying amount of non-current assets sold	124,132	
30,478	Carrying amount of short and long term investments sold	10	
(222)	Movement in Investment Property Values	(17)	
146,696			232,162
	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities		
(46,839)	Capital Grants credited to surplus or deficit on the provision of services	(17,832)	
(5,933)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,829)	
(52,772)			(24,661)
33,905	Net Cash Inflow/(Outflow) from operating Activities		2,685

42 Notes to the Cash Flow – Operating Activities (Interest)

Operating activities within the Cash Flow Statement include the following cash flows relating to interest.

2009/10 £000s		2010/11	
		£000s	£000s
1,026	Ordinary Interest Received	257	257
1,499	Opening Debtor	0	
0	Closing Debtor	0	
2,525	Interest Received		
(19,272)	Interest charge for year	(20,290)	(19,877)
0	Other interest	0	
(5,463)	Opening Creditor	(5,425)	
5,423	Closing Creditor	5,838	
(19,312)	Interest Paid		

43 Notes to the Cash Flow – Operating Activities (Investing Activities)

Operating activities within the Cash Flow Statement include the following cash flows relating to investing activities.

2009/10 £000s		2010/11	
		£000s	£000s
(101,551)	Property, Plant & Equipment purchased	(59,859)	(65,917)
(719)	Other Capital Payments	(636)	
1,823	Add back new Finance Leases (non cash flow item)	1,050	
201	Add back PFI assets (non cash flow item)	196	7,135
(4,531)	Opening Capital Creditors	(8,576)	
8,576	Closing Capital Creditors	1,908	
(96,201)	Purchase of Property, Plant & Equipment, investment property and intangible assets		
6,242	Proceeds from the sale of Property, Plant & Equipment, investment property and intangible assets		
0	Other capital cash receipts	0	23,882
45,908	Capital Grants Received	23,882	
45,908	Other receipts from Investing Activities		
(44,051)	Total Cash Flows from Investing Activities		(34,900)

44 Notes to the Cash Flow – Financing Activities

2009/10 £000s		2010/11 £000s	2010/11 £000s
67,500 (5,801) (21,676)	Cash receipts of short and long term borrowing Council Tax and NNDR Adjustments Repayment of short and long term borrowing		66,000 (76) (45,116)
(516) (1,387)	Payments for the reduction of finance lease liability Payments for the reduction of PFI liability	(974) (1,467)	
(1,903)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(2,441)
38,120	Total Cash Flows from Financing Activities		18,367

Housing Revenue Account – Income & Expenditure Statement for year ended 31 March 2011

The Housing Revenue Account (HRA) Income & Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations, this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10 £000s		Note	2010/11	
			£000s	£000s
	<u>Expenditure</u>			
10,922	Repairs & Maintenance		11,204	
12,419	Supervision and Management		12,079	
2,621	HRA Subsidy Payable	6	3,907	
321	Rents, Rates, Taxes and other charges		241	
187	Contribution to Bad Debt Provision	4	221	
16,522	Capital Charges, Depreciation and Impairment of fixed assets	8	181,449	
42,992	Total Expenditure			209,101
	<u>Income</u>			
(43,523)	Dwelling rents (Gross)		(44,680)	
(566)	Non-dwelling rents (Gross)		(571)	
(1,627)	Charges for services and facilities		(1,749)	
(3,505)	Contributions towards expenditure		(2,896)	
(49,221)	Total Income			(49,896)
(6,229)	Net cost of HRA services as included in the Comprehensive Income & Expenditure Statement			159,205
319	HRA services' share of Corporate & Democratic Core			367
2,010	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services			2,280
(3,900)	Net (Income)/Expenditure for HRA Services			161,852
	HRA Share of the operating income & expenditure included in the Comprehensive Income & Expenditure Statement			
(952)	(Gain) or loss on sale of HRA non-current assets			(939)
6,309	Interest payable and similar charges			6,793
(36)	Interest and investment income			(18)
1,656	Pensions interest cost and expected return on pensions assets	9		257
0	Capital Grants and Contributions			(102)
3,077	Deficit for the year on HRA Services			167,843

2009/10 £000s		Note	2010/11 £000s	2010/11 £000s
	Movement on the HRA Statement			
(4,559)	Balance on the HRA at the end of the previous year			(2,940)
3,077	Deficit for the year on the HRA Services			167,843
(1,458)	Adjustments between accounting basis and funding basis under statute			(168,908)
1,619	Net (increase)/decrease before transfers to or from Reserves			(1,065)
0	Transfers to or from Reserves			0
1,619	(Increase)/Decrease in year on the HRA			(1,065)
(2,940)	Balance on the HRA at the end of the year			(4,005)

Notes to the Housing Revenue Account

1 Housing Stock

The Council was responsible for managing 15,522 dwellings at 31 March 2011 compared with 15,613 at 31 March 2010. The net reduction of 91 includes 26 properties sold and 62 properties demolished, with 3 properties having a change of use. The number of voids included in the above figures as at 31 March 2011 stands at 392 and there are 34 properties awaiting disposal.

The stock is made up as follows:

1 April 2010		31 March 2011
	Low Rise Flats	
1,844	- 1 Bed	1,784
1,024	- 2 Bed	1,021
125	- 3+ Bed	125
	Medium Rise Flats	
485	- 1 Bed	484
1,145	- 2 Bed	1,143
105	- 3+ Bed	105
	Houses and Bungalows	
1,566	- 1 Bed	1,563
3,138	- 2 Bed	3,129
5,804	- 3 Bed	5,791
377	- 4+ Bed	377
15,613	Total	15,522

2 Balance sheet Valuation

The net balance sheet value of property within the HRA (valued in accordance with government guidance) is as follows:

1 April 2010 £000s		31 March 2011 £000s
	Operational Assets:	
650,948	Houses	505,171
2,553	Land & Buildings	2,479
701	Other	503
654,202		508,153

3 Vacant Possession

The vacant possession value of dwellings within the HRA (valued in accordance with government guidance) was as follows:

1 April 2010 £000s		31 March 2011 £000s
1,294	Vacant Possession Value of HRA Dwellings	1,276

The vacant possession value and balance sheet value of dwellings within the HRA reflect the economic cost to government of providing council housing at less than open market rents.

4 Rent Arrears and Bad Debt Provision

Overall rent arrears have reduced by £0.203m during 2010/11, from £2.727m at 31 March 2010 to £2.524m at 31 March 2011. These figures include rent, service charge and water charge arrears.

The provision for bad debt required at 31 March 2011 is £1.863m compared with £2.000m at 31 March 2010, a reduction of £0.137m. Bad debts of £0.358m were written off during the year, and a contribution of £0.221m was made:

	£000s
Opening Provision for Bad Debt at 1 April 2010	2,000
Bad debts written off during 2010/11	(358)
Additional contributions to bad debt provision during year	221
Provision for Bad Debts at 31 March 2011	1,863

5 Major Repairs Reserve

The movement on the HRA Major Repairs Reserve (MRR) during the year was as follows:

	£000s
Balance as at 1 April 2010	0
Depreciation transferred into MRR	(10,197)
Amount transferred to HRA (re depreciation in excess of Major Repairs Allowance MRA)	0
Financing of HRA capital expenditure: Houses	10,197
Balance as at 31 March 2011	0

6 HRA Subsidy

HRA Subsidy of £3.907m was paid over to Communities and Local Government (CLG) in 2010/11, compared to payments of £2.621m the previous year. There were a number of factors contributing to the differences. As has been the case for a number of years the Guideline Rent increase outstripped increases in Management and Maintenance Allowances and the MRA. This allied to a reduction in the Consolidated Rate of Interest (CRI) which was a symptom of prevailing economic conditions, effectively resulted in significant increases in the levels of subsidy paid over to CLG in 2010/11. The breakdown is as follows:

2009/10 £000s		2010/11 £000s
(24,891)	Management and Maintenance	(25,022)
(10,031)	MRA	(10,197)
(6,785)	Charges for Capital	(6,528)
44,326	Guideline Rent Income	45,667
2	Interest on Receipts	1
0	Previous year adjustment	(14)
2,621	Subsidy Paid	3,907

7 Housing Capital Expenditure and Financing

Capital expenditure of £35.699m was spent on HRA assets during the year split as follows:

2009/10 £000s		2010/11 £000s
29,035	Houses	35,699

This was financed as follows:

2009/10 £000s		2010/11 £000s
10,031	MRR	10,197
6,078	Revenue Contribution	1,835
12,926	Borrowing	23,565
0	Contributions in Advance	102
29,035		35,699

Total Gross Capital Receipts :

2009/10 £000s		2010/11 £000s
1,446	Houses	1,272
978	Land	159
2,424		1,431

8 Depreciation for HRA Assets

The charges for depreciation within the HRA for 2010/11 were as follows:

2009/10 £000s		2010/11 £000s
	Operational Assets:	
15,949	Houses	9,944
144	Other	198
57	Land & Buildings	55
16,150		10,197

9 Pension Costs

In accordance with IAS19 – Retirement Benefits, the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Note 7 to the Core Financial Statements provides further details on Pension Costs.

The amounts charged to the HRA for 2010/11 in accordance with IAS19 were as follows:

2009/10 £000s		2010/11 £000s
(72)	Allocated to Services	258
2,879	Pension Interest Costs	1,968
(1,223)	Expected Return on Pensions Assets	(1,711)
(1,584)	Movement on Pension Reserve	(515)

10 Furniture Reserve

A Furniture Reserve of £0.100m was created during 2006/07 to fund a rolling programme of refurbishments to the Direct Access Units and Dispersed Units. This fund is held on the Balance Sheet, to be drawn down and replenished as appropriate from the furniture charges collected from each of the units. During 2010/11 nothing was drawn from the fund and no further contributions were added to fund future refurbishments, this was because there was a fundamental review of service provision and the attached supporting people funding. The service has been reconfigured to reflect a new service offering and there will be a significant future refurbishment required which this reserve will help to fund.

	2010/11 £000s
Balance as at 1 April 2010	138
2010/11 Drawdown to fund spend	0
2010/11 Additional contributions to fund	0
Balance as at 31 March 2011	138

11 Impairments

The total value of impairments for the financial year in respect of houses and other property within the HRA is £171.095m (£0.230m in 2009/10).

Collection Fund Statement for year ended 31 March 2011

2009/10 £000s	INCOME		2010/11 £000s	£000s
(75,139)	Council Tax:	1	(77,105)	
(17,183)	Council Tax		(17,871)	
(92,322)	Council Tax Benefits			(94,976)
(53,022)	Non Domestic Rates	2		(47,727)
(145,344)	TOTAL INCOME			(142,703)
	EXPENDITURE			
81,968	Precepts and Demands:	3	84,602	
5,142	North Tyneside Council Demand		5,331	
4,584	Northumbria Police Authority Precept		4,660	
91,694	Tyne & Wear Fire & Rescue Authority Precept			94,593
24	Distribution of Collection Fund Surplus to	4	6	
22	Preceptors		5	
46	Northumbria Police Authority			11
52,784	Tyne & Wear Fire & Rescue Authority			
238	Non Domestic Rates:	2	47,492	
53,022	Payment to National Pool		235	
	Cost of Collection Allowance			47,727
394	Contribution to North Tyneside Council from	4		92
229	2009/10 Collection Fund Surplus			213
155	Provision for Non Payment of Council Tax	5		111
	Council Tax Write Offs	1		
145,540	TOTAL EXPENDITURE			142,747
196	(SURPLUS)/DEFICIT FOR 2010/11			44
(356)	(SURPLUS) AS AT 1 APRIL 2010	4		(160)
(160)	(SURPLUS) AS AT 31 MARCH 2011	4		(116)

Notes to the Collection Fund

General

This statement represents the transactions of the Collection Fund, which is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund. Collection Fund balances relating to North Tyneside Council are consolidated into the Council's Balance Sheet with the surplus/deficit relating to the Council is shown in the Collection Fund Adjustment Account.

1 Council Tax

Under the Local Government Finance Act 1992, Council Tax replaced Community Charge as the local tax directly supporting local authority expenditure and was introduced on 1 April 1993.

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Northumbria Police Authority, the Tyne & Wear Fire & Rescue Service and the Council, for the forthcoming year, and dividing this by the Council Tax base, (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: (63,703 in 2010/11). This basic amount of council tax for Band D property (£1,484.90 in 2010/11) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax Base Calculation

Band	Properties	Less Discounts at 25%	Less 2 nd Home Discount Adjustments	Total Properties	Proportion of Band D Equivalent	Band D Equivalent
A*	207	(19)	0	188	5/9	104
A	47,500	(6,316)	(26)	41,158	6/9	27,439
B	14,158	(1,351)	(9)	12,798	7/9	9,954
C	17,687	(1,269)	(9)	16,409	8/9	14,586
D	7,054	(390)	(5)	6,659	9/9	6,659
E	3,022	(130)	(2)	2,890	11/9	3,532
F	1,017	(45)	(1)	971	13/9	1,403
G	346	(22)	0	324	15/9	540
H	10	(3)	0	7	18/9	14
	91,001	(9,545)	(52)	81,404		64,231

*Band A - Entitled to Disabled Relief Reduction.

Tax Base Calculation
Add Payments in Lieu
2010/11 Council Tax Base

Band D Equivalents	Collection Rate	Council Tax Base
64,231	99.10%	63,653
		50
		63,703

2 National Non Domestic Rates (NNDR)

NNDR is organised on a national basis. The multiplier (the rate in the £) is set annually by Central Government. For 2010/11, the standard rates multiplier was set at 41.4 pence in the £ and the small business multiplier was set at 40.7 pence in the £. These compare to the rates multipliers for 2009/10 which were 48.5 pence in the £ for the standard rates multiplier and 48.1 pence in the £ for the small business multiplier.

The reason for the significant reduction in the business rate multipliers compared with last year is that every five years a business rates revaluation is carried out, with the latest revaluation taking effect from 1 April 2010. As part of the revaluation all non-domestic (business) properties are assessed and given new rateable values, based on rental values, for the purpose of calculating liability for business rates. Between revaluations the multipliers change each year in line with inflation and to take account of the cost of small business rate relief. In the year of revaluation the multipliers are rebased to account for overall changes to total rateable value and to ensure that the revaluation does not raise extra money for Government.

The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR pool administered by the Government. Central Government redistributes the sums paid into the pool back to Local Authorities' General Funds.

Business Rates are based on the rateable value of the property, which is set by the Valuation Officer and revalued on a regular basis.

The Council's non-domestic rateable value at 31 March 2011 was £149,591,142 (£127,586,575 in 2009/10).

The NNDR income figure of £47.727m in the 2010/11 Collection Fund Accounts reconciles with the 2010/11 opening rates charge of £61.077m as follows:

	2010/11 £000s
NNDR Income	47,727
Adjustments to Charges	762
Exemptions	2,749
Charitable Relief	4,865
Write Offs	96
Adjustments to Arrears	4,858
Bad Debt Provision	(110)
Interest on Refunds	186
General Fund Discretionary Relief	(56)
2010/11 Opening Charge	61,077

3 Precepts and Demands

The following Authorities made significant demands and Precepts on the Collection Fund:
-

2009/10 £000s		2010/11 £000s
81,968	North Tyneside Council Demand	84,602
5,142	Northumbria Police Authority Precept	5,331
4,584	Tyne & Wear Fire & Rescue Authority Precept	4,660
91,694		94,593

4 Distribution of Collection Fund Surplus

The Collection Fund Surplus brought forward into 2010/11 must be repaid to the Council's General Fund, the Northumbria Police Authority and Tyne & Wear Fire and Rescue Authority.

The following amounts were distributed to preceptors as part of the Collection Fund Surplus brought forward into 2010/11: -

2009/10 £000s		2010/11 £000s
24	Northumbria Police Authority Precept	6
22	Tyne & Wear Fire & Rescue Authority Precept	5
46		11

A surplus of £0.092m was transferred to the General Fund in 2010/11 to reduce Council Tax levels for the year. An estimate of the surplus as at 31 March 2011 was taken into account in determining the council tax level for 2011/12.

The surplus on the Collection Fund of £0.116m as at 31 March 2011 will be transferred to the Council's General Fund and major precepting authorities in the future.

5 Provision For Non Payment of Council Tax

The Council Tax bad debt provision is reviewed on an annual basis, against the level of arrears. In 2010/11 the total Council Tax bad debt provision is £3.750m compared to £3.537m in 2009/10, an increase of £0.213m. The North Tyneside Council element increased from £3.163m in 2009/10 to £3.354m in 2010/11.

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2011.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract unless the difference is immaterial; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4 Exceptional items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. This is the case with IFRS.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Generally, the majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions in the year in which they are identified, and are accounted for accordingly.

6 Estimation Techniques

Estimation techniques are the methods adopted to arrive at estimated monetary amounts for the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their exact value. Estimation techniques have been used to determine provisions (including redundancy payments and equal pay), reserves, pension liabilities and the final National Non Domestic Rates (NNDR) return, as there is uncertainty over the monetary amounts. Except where specified in the CIPFA Code, the

Council has determined the estimation techniques that most closely reflect the economic reality of the transactions

7 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Similarly, depreciation, impairment and amortisations charged to the Housing Revenue Account, are replaced by the Major Repairs Allowance (the amount provided by central government as a proxy for depreciation) with any excess depreciation moved to the Capital Adjustment Account.

8 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flexi balances) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs or payment is made.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where

appropriate the Council will seek to utilise capitalisation directives to allow statutory redundancy payments to be capitalised.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

In respect of previous years, Strain on the Fund costs have been paid to the Tyne and Wear Pension Body in one instalment and are recognised in the Comprehensive Income and Expenditure Statement over 3 to 5 years.

Post Employment Benefits (Retirement Benefits)

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE); and
- The Local Government Pensions Scheme (Tyne and Wear Pension Fund), administered by South Tyneside Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Council/Schools.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Tyne and Wear Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees; and
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of the Tyne and Wear Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pensions Reserve; and
- Contributions paid to the Tyne and Wear Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The notes to the Core Financial Statements provide further details on contributions made.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of

an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9 Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable (maximum 10 years) when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge

required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

If the Council makes loans to voluntary organisations at less than market rates, these are known as soft loans. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Equity shares with no quoted market prices are based on an independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

11 Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

12 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable assurance that the conditions attached to the grant or contribution will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied or for which there is not reasonable assurance that they will be satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied or reasonable assurance is achieved, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant services in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant

services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14 Interests in Companies and Other Entities

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The Council does not have material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts.

15 Inventories

Inventories are shown in the accounts at the lower of cost and net realisable value.

16 Investment Property

Investment Property are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Property are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment Property are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

17 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

18 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

The Council has not entered into any finance leases as lessor.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

19 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

20 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie, it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH); and
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every four years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (generally 30-60 years);
- Vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset (generally 3-10 years); and
- Infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The land element will continue to be considered as a separate asset with its own valuation which, except in very unusual circumstances, will not be subject to depreciation. For buildings valued over £0.500m consideration will be given as to whether or not there is any significant part which requires a separate component, such as the roof or any specialist item of plant or equipment. Where enhancement expenditure has taken place during the year to a value of more than 20% of the asset value, then the asset will be componentised.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any

previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

21 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment or revenue expenditure in the relevant service line of the Comprehensive Income and Expenditure Statement when the relevant works are eventually carried out.

22 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back

to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made. The Council received a capitalisation directive to allow equal pay compensation payments and provisions to be capitalised during 2010/11.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

23 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The nature of the Council's main reserves and balances are shown in note 32 to the Core Financial Statements. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent useable resources for the Council – these reserves are explained in the relevant policies

24 Value Added Tax (VAT)

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

25 Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

26 Collection Fund Statement

Council Tax Income

From 1 April 2009 Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund Balance Movement in Reserves Statement. Any balances owed to or from each preceptor will be shown as a creditor or debtor in the Council's accounts.

National Non-Domestic Rates (NNDR)

NNDR income is not the income of the Council rather it is the income of central Government for which the Council acts as the billing agent. From 1 April 2009 NNDR debtor and creditor balances are not included in the Council's Balance Sheet. Also, included in the Council's Balance Sheet is the amount of cash collected from NNDR taxpayers that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

2010/11 Annual Governance Statement

1.0 Scope of Responsibility

North Tyneside Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must make sure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. North Tyneside Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, North Tyneside Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

North Tyneside Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code can be found on our website or can be obtained from Legal Services. This Statement explains how North Tyneside Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of the Annual Governance Statement (AGS).

2.0 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. It sets out the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of North Tyneside Council's policies, aims and objectives. By evaluating the likelihood of those risks being realised and the impact should they be realised, it allows the Council to manage them efficiently, effectively and economically.

An Annual Report is produced by the Chief Internal Auditor, part of which provides an opinion from Internal Audit on the overall adequacy and effectiveness of the Council's control environment. This Statement includes any control issues that the Chief Internal Auditor has deemed significant and should be included within the AGS. These are identified where appropriate, and referenced to the Annual Audit Report.

The governance framework has been in place at North Tyneside Council for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Statement of Accounts.

3.0 The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described below. These are split into the 6 core principles from the Good Governance Standard.

3.1 Focusing on our purpose as a Council and outcomes for our Residents

3.1.1 *Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users – this should be clearly communicated, both within the organisation and to external stakeholders*

- The North Tyneside Strategic Partnership (NTSP) has been set up which provides a framework for partners to influence the Council's activity. A residents' survey is conducted annually and a Residents Panel has been re-established.
- The Council has established a Strategic Community Strategy which has 4 priorities:
 - Regeneration;
 - Quality of Life;
 - Best Start in Life; and,
 - Sense of Place
- The Council Strategic Plan presents the Council's priorities and outlines the main work programmes the Council intends to deliver over the next four years to achieve its ambitions.
- An Annual Report is published each autumn, detailing the Council's activities and achievements, including its financial position and performance for the previous financial year. This is included in the Council's 'Widening Horizons' magazine, which is distributed to all households in the borough.

3.1.2 *Reviewing the Council's vision and its implications for the Council's governance arrangements*

- The Council is subject to audit by internal and external auditors and independent agencies.
- The Council Strategic Plan presents the Council's priorities and outlines the main work programmes the Council intends to deliver over the next four years to achieve its ambitions.
- All operational and financial risks identified as part of the annual Service and Spending Review are added to the Risk Register. These are continually assessed and monitored.
- The Financial Strategy is updated annually.
- Over the last six years the Council has developed its Council Strategic Plan and Budget Engagement Strategy in line with best practice. The Budget Engagement Strategy summary report provides a comprehensive summary of the outcomes of the process and how the information provided by those

individuals included in the engagement events was used in forming the 2011-15 Service and Spending Review process, together with details of the various engagement activities which took place from July 2010 to January 2011.

3.1.3 *Measuring the quality of service for users, ensuring services are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources*

- An annual face to face survey with 2,500 residents is carried out, a pupil perception survey is carried out to ensure the view of the young people are measured.
- Each quarter performance and risk reporting is undertaken against the Council Plan. This is monitored by the Senior Management Team and Cabinet.
- Progress on Local Area Agreement (LAA) targets were reported to the Corporate Management Team, Cabinet and Overview and Scrutiny Committee quarterly in 2010/11. There is now a Sustainable Communities Strategy which is monitored quarterly and the indicators that were formerly monitored in the LAA are now reviewed as part of that monitoring exercise

3.2 Members and officers have clearly defined roles and responsibilities that enable them to work together to achieve a common purpose

3.2.1 *Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication*

- The Council's Constitution sets out the roles and responsibilities of Members and Officers.
- The Scheme of Delegation sets out the basis upon which decisions are made and who has the proper authority to make them.
- Supporting the Constitution are documents such as Financial Regulations, Standing Orders, Codes of Conduct – these documents are regularly updated to ensure that they are fit for purpose.

3.3 Promoting High Standards of Conduct and behaviour and values for the Council

3.3.1 *Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff*

- Codes of Conduct are in place for Members and Officers.
- The Council's Standards Committee has responsibility for dealing with complaints about Members, in conjunction with the Standards Board for England.
- Staffing conduct matters are dealt with through the Disciplinary Procedure.

- A Register of Interest, Register of Gifts and Hospitality and a Register of Declarations of Interest (for Members) are maintained to ensure officers and Members alike are prevented from being influenced by prejudice, bias or conflicts of interest.

3.4 Decision Making is transparent and subject to effective scrutiny and risk management

3.4.1 *Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks*

- The Constitution, Financial Regulations and Standing Orders are reviewed and updated on a regular basis. These clearly set out the decision making process and assign responsibility accordingly.
- The Council has written procedures in place covering financial and administrative matters, as well as Human Resource policies and procedures.
- There are clear and comprehensive budgeting systems in place together with a robust system of budgetary control, including formal reporting bi-monthly to Cabinet and monthly to Senior Management Team.

3.4.2 *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities*

- The Council has in place an Audit Committee. This is chaired by an independent person and is a cross-party committee. The committee meets on a regular basis – at least quarterly.
- The terms of reference for the Audit Committee state that they will receive the information necessary to undertake an annual review of the effectiveness of the Council's system of internal control, will agree the methodology for the preparation of the AGS, and will monitor the action plan prepared to address issues identified in the AGS.

3.4.3 *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*

- The Constitution, Financial Regulations and Standing Orders clearly set out the decision making process and assign responsibility accordingly.
- All Council and Cabinet reports are approved by the Monitoring Officer, the Section 151 Officer and the Strategic Director with responsibility for Community Engagement.
- The Standards Committee and Audit Committee ensure high standards of conduct and oversee issues relating to governance and internal control.
- The Overview and Scrutiny Committee produce an annual report detailing the work that they have carried out during the year.
- The Council has developed risk management systems (including systems of internal control and an effective internal audit function). These arrangements

ensure compliance with applicable statutes, regulations and relevant statements of best practice.

3.4.4 *Whistle-blowing and arrangements for receiving and investigating complaints from the public*

- The Council has an established Whistle Blowing Policy, which sets out how Members and Officers can raise their concerns in confidence.
- The Council has a complaints procedure which sets out how members of the public can lodge a complaint relating to services provided by the Council.

3.5 Developing the capacity and capability of members and officers to be effective

3.5.1 *Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*

- The Council has a Members' training programme whereby the development needs of Members are identified through Strategic Training, Statutory Training and Personal Development Plans.
- The Council have adopted a Corporate Learning & Development Plan.
- There is a Corporate Induction programme for all new starters including newly elected Members.
- Individual Performance Reviews for officers identify learning and development needs.

3.6 Engaging with local people and other stakeholders

3.6.1 *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*

- The Council has an Engagement Framework which lets people know how they can get involved. The Council uses various different methods of engagement including: public events, electronic voting, question time panels, workshops, surveys, focus groups and the Residents Panel.
- The North Tyneside Strategic Partnership provides a framework for partners to influence Council activity. A Strategic Community Strategy is also in place.

3.6.2 *Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements*

- A Governance of Partnerships Handbook has been developed, based on the Audit Commission report and other good practice examples. All Heads of Service are responsible for ensuring compliance.
- The Handbook is used in conjunction with the Council's External Partnerships Arrangements Handbook.

4.0 Review of effectiveness

North Tyneside Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive and Strategic Directors within the Council who have responsibility for the development and maintenance of the governance environment.

Listed below are the processes that are applied in maintaining and reviewing the effectiveness of the governance framework on a continuing basis:

- **The Council** - The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified. The Elected Mayor, the Chief Executive and Chair of Council have signed this document.
- **The Cabinet** - The Cabinet is responsible for ensuring that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports document the financial, legal and operational implications of the decisions made. The findings of the AGS are reported to and discussed with the Elected Mayor.
- **The Senior Management Team** - The Senior Management Team acts as the organisation's overall 'management board', providing strategic direction to enable the business of the Council to be undertaken. The Team provides ultimate assurance to the Cabinet and non-executive members in relation to the governance arrangements in place. The AGS is reviewed by the Senior Management Team as part of the production of the Statement.
- **The Audit Committee** - The Audit Committee improves corporate governance by reviewing the stewardship of the Council's resources. The Audit Committee enhances the profile of audit throughout the Council and enable it to be strong and effective. The findings of the annual governance review are reported to the Audit Committee. The terms of reference of the Audit Committee state that they receive the information necessary to undertake an annual review of the effectiveness of the Council's system of internal control, will agree the methodology for the preparation of the AGS and will monitor the action plan prepared to address the issues identified in the AGS.
- **Overview & Scrutiny** - The Overview & Scrutiny Committee is about improving services for the people of North Tyneside by influencing decision makers. This is achieved by: acting as a critical friend to the Elected Mayor and Cabinet, investigating issues of interest and concern to communities within North Tyneside, involving communities in its work and making recommendations to decision makers on how services can be improved. There are currently seven overview and scrutiny sub-committees which cover all Council services – Finance, Health & Well Being, Organisational Effectiveness, Children and Young People, Communities, Environment and Transport, and Regeneration. New arrangements are under consideration by the Council.

- **Risk Management Groups** – Risk Management is undertaken at operational and strategic level and is also a key element of managing our projects and partnerships. The Council's Senior Management Team take an active part in ensuring that strategic risks are identified and managed taking into consideration the Council Priorities. Those strategic risks that are exceptional in nature are managed at Corporate Level and are owned by the Chief Executive and Strategic Directors. All risks are reviewed on a regular basis by the relevant risk management group to ensure that they are being managed effectively, with progress reported to Senior Management and the Audit Committee.
- **Standards Committee** - The Standards Committee is responsible for the promotion of ethical standards within the Council, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, undertaking, in conjunction with the Monitoring Officer, investigations into breaches or alleged breaches of the Code or otherwise dealing with referrals from the Standards Board for England. The rules for conducting investigations are set out in law.
- **Internal Audit** – Internal Audit plays a key role in the assessment of the control environment, although part of the Council's overall control framework, Internal Audit is not a substitute for effective internal control. The Chief Internal Audit or provides an annual summary of the results and conclusions of the years work, this report includes an opinion on areas that are deemed to be included within the AGS.
- **Directorate Arrangements** - Each directorate is responsible for maintaining effective governance arrangements for its operations. Directors sign a Statement of Assurance annually, confirming the governance arrangements that are in place and identifying any areas requiring additional controls.
- **External Audit and Inspectorate Teams** - Officers meet regularly with the External Audit team, who also attend key Council meetings. Action Plans are formulated to address any formal recommendations raised by external inspectors. The views of our external auditors are expressed through the Annual Audit Letter and the Annual Governance Report.
- **Chief Finance Officer** – The Chief Finance Officer (CFO) has statutory duties in relation to the financial administration and stewardship of the Council arising from Section 151 of the Local Government Act 1972. The CFO this year has also completed a governance statement which outlines the governance arrangements that are required to ensure she is able to carry out her responsibilities effectively. This statement is based on 'The Role of the Chief Finance Officer' produced by CIPFA.
- **Monitoring Officer** – The Monitoring Officer has responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the cabinet as set out Section 5(1) of the Local Government and Housing Act 1989.
- **Head of Paid Service** – The Head of Paid Service is responsible for the corporate and overall strategic management of the Council's staff in accordance with Section 4 of the Local Governance and Housing Act 1989.

All of the above work has been used in compiling this Statement and arriving at assessment of the internal control arrangements in place within the Council.

5.0 Overall assessment of Governance Arrangements in place

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the Council's objectives have been mitigated.

The annual report produced by the Chief Internal Auditor has been reviewed and there are no significant governance issues that were identified.

As a result of reviewing the evidence outlined in sections 3 and 4, Senior Management have taken the view that as a whole, the governance arrangements in operation during 2010/11 within the Council were adequate.

Table 1 outlines areas that were identified as needing to improve to ensure that they do not lead to significant governance issues in the future.

5.1 Outlook

As a result of reviewing the evidence outlined in sections 3 and 4, together with the assurance statements from each Director and the Chief Finance Officer, some issues were identified that will need to be monitored during 2011/12. These issues relate to the changing nature of the Council and local government as a whole, which if the Council failed to address properly may result in future governance issues. These are outlined below.

- 5.1.1 The Council needs to continue to ensure that it is able to deliver the 2011/12 budget, whilst incorporating the delivery of Change, Efficiency and Improvement (CEI) programme in the context of reduced resources. Effective monitoring of the CEI programme will need to be conducted in a timely manner and all areas of the Council taking ownership of the programme.
- 5.1.2 The way services are delivered in the public sector is changing e.g. shared services, mutuals and social enterprises are becoming more commonplace. The Council will need to ensure that it is fully conversant in all areas concerning potential delivery vehicles.
- 5.1.3 There is an expectation that there will be a shift in responsibilities within the public sector e.g. the diversity of school provision through the new Trusts and Academies, Health Care Provision and also the third sector partners. The Council will need to ensure that any impact these changes may have on how its services are provided, are fully understood and planned for.
- 5.1.4 The move to a self managed Housing Revenue Account may result in some changes for the governance of the housing functions. It is important that the Council complies with the CLG timetable and adheres to the guidance that will be issued during 2011/12.

Table 1

Ref	Improvement Area	Proposed Action	Responsible Officer and Target Date
1	Improved effectiveness of Member/ Member and Member/Officer relations	Chief Executive to identify strategies and actions that will improve Member/Member and Member/ Officer relations leading to more effective decision making and improved corporate governance arrangements.	Chief Executive 30 September 2011
2	The changes within the NHS have a fundamental impact on the governance of all-age health and social service within the Council	Establishment and development of a Health and Wellbeing Board. Recruitment of a Health and Wellbeing Coordinator. Recruitment of a Director of Public Health. Revision of the Joint Strategic Needs Assessment. Creation of a Health and Wellbeing Strategy. Participation in the NHS Governance arrangements; regional Transition Board and Transforming Community Services External Governance Board. Quarterly internal update meetings for all interested SMT members.	Paul Hanson 31 October 2011

6.0 Signatures

We, the undersigned, propose to ensure the areas identified above are monitored during the coming year in order that the governance arrangements within the Council remain effective. These will be reviewed throughout the year.

Signed:

.....
Mrs Linda Arkley
Elected Mayor

.....
Graham Haywood
Chief Executive

Date:

Date

I confirm that the Audit Committee (at its meeting 31 May 2011) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2010/11, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

.....
Andrew Curry
Chair of the Audit Committee

.....
Cllr John Stirling
Chair of Council

Date:

Date:

Glossary of Terms

A

Accounting period: the period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period i.e. 31 March is the balance sheet date.

Accounting policies: within the range of possible methods of accounting, a statement of the actual methods chosen locally and used to prepare these accounts.

Accruals basis: the method of including amounts in accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Acquired Operations: operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those of the Council that are acquired in the period.

Actuarial Gains and Losses: for a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or;
- the actuarial assumptions have changed.

Amortised: reducing the value of a balance in an accounting period. The reduction in value is transferred from the balance sheet to the Comprehensive Income and Expenditure Statement.

Amortised Cost: is the amount at which an asset or liability is measured (usually at cost) plus or minus accumulated interest.

Appropriations: transferring of an amount between specific reserves in the Comprehensive Income and Expenditure Statement.

Asset: something of value, which is measurable in monetary terms.

Audit Commission: statutory body which oversees the conduct of local authority statutory audits.

Authorised Limit: this is the limit beyond which borrowing is prohibited.

Available for Sale financial assets: financial instruments that either do not have fixed or determinable payments or whose prices are quoted on an active market.

B

Bad (and doubtful) debts: debts which may be uneconomic to collect or unenforceable in law.

Balances: the reserves of the Council, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.

Balance Sheet: a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Best Value: government initiative, which replaces Compulsory Competitive Tendering and places a duty on local authorities to achieve economy, efficiency, effectiveness and quality of service delivered to local people. This is achieved by finding out the needs of local people and meeting these needs. To challenge, compare, consult and compete in service provision and to seek continuous improvement with performance targets benchmarking against the best.

Best Value Accounting Code of Practice (BVACOP): provides guidance on financial reporting to ensure data consistency and comparability. It was introduced in response to the demands placed upon local authorities to secure and demonstrate Best Value in the provision of services to the community.

Billing authority: a local authority responsible for collecting National Non Domestic Rates and Council Tax i.e. metropolitan councils, unitary councils, London Boroughs, district councils and the City of London. North Tyneside Council is a billing authority.

Budget: a statement of the Council's expected level of service expressed as an amount of spending over a set period, usually one year.

C

Capital Adjustment Account: provides a balancing mechanism between the different rates at which assets are depreciated under The Code and are financed through the capital controls systems.

Capital expenditure: expenditure on the acquisition or enhancement of non current assets. Capital expenditure can be incurred in some instances (where no asset is created) if Secretary of State permission is granted (eg equal pay, redundancy costs or where grants are made to other organisations for capital projects).

Capital Financing Requirement: the capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code. This measures the council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the council should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and the next two financial years.

Capital receipts: the proceeds from the sale of a fixed asset, or the repayment of some grants or loans made by the Council.

Capitalised: transferred from revenue to capital.

Cash and cash equivalents: this comprises cash in hand, cash overdrawn and short term investments which are readily convertible into known amounts of cash.

Cashflow: movement in money received and paid by the Council in the accounting period.

CIPFA: The Chartered Institute of Public Finance and Accountancy.

CIPFA/LASAAC Code of Practice on Local Authority Accounting (The Code): the code of practice applicable to preparing the accounts.

Collection Fund: a statutory fund which has to be maintained by a billing authority separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax, Non-Domestic Rates and Community Charge on behalf of those bodies (including the Council's own general fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund. Collection Fund balances relating to North Tyneside Council are consolidated into the Council's Consolidated Balance Sheet within the Collection Fund Adjustment Account.

Community assets: assets that the Council intends to hold in perpetuity have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Component: is a significant part of an asset (such as a roof or major item of plant or equipment), which has to be separately identified for the purposes of accounting and asset management.

Comprehensive Income & Expenditure Statement: the account, that sets out the Council's income and expenditure for the year for non-capital spending. It is sometimes referred to as the Revenue Account.

Consistency: the concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Consolidated: added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration, e.g. debtors, creditors as a result of trading between services within the Council which are reported on as a whole in the section on consolidated financial accounts.

Consumer Price Index (CPI): the index has been designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy including food, heating, household goods and travel costs.

Contingent asset: a contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

Contingent liabilities: arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingencies: Sums set aside as a provision for liabilities which may arise in the future but which cannot be determined in advance.

Corporate & Democratic Core: comprises all activities that the Council engage in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs of service.

Corporate management: those activities and costs which provide the framework for services to be undertaken and information required for public accountability.

Creditors: amounts owed by the Council for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made by the Balance Sheet date.

Council Tax: The main source of local taxation for local authorities. It is a banded property tax (using 1 April 1991 property values) which is levied on households within its area by the billing authority and is set annually for the properties in its area. Council Tax income is paid into the billing authority's Collection Fund for distribution to precepting authorities and for use by the billing authority's own General Fund.

Council Tax Benefit: financial assistance available to adults on a low income that are liable for Council Tax. The majority of the cost to the Council of these benefit payments is reimbursed by central Government grant.

Current assets: which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.

Current liabilities: amounts that the Council owes to other bodies and are due for payment within 12 months.

Current Service Cost (Pensions): the increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

Curtailment: for a defined benefit pension scheme this is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service, examples being termination of employees service through redundancy or amendment of the terms affecting future benefits.

D

Debtors: amounts due to the Council which relate to the accounting period and have not been received by the Balance Sheet date.

Deferred Credits including Deferred capital receipts: amounts derived from the asset sales which will be received in instalments over a period of a year (e.g. mortgages on the sale of council houses).

Deferred Liabilities: these are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time, e.g. deferred purchase arrangements.

Depreciation: the reduction in value of an asset due to age, wear and tear, deterioration or obsolescence.

Defined Benefit Scheme: a defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all the employees benefits relating to employee service in the current or prior periods. A defined benefit scheme is a pension or retirement benefit scheme other than a defined contribution scheme.

E

Earmarked reserves: these reserves represent the monies set aside that can only be used for a specific usage or purpose.

Emoluments: all sums paid to or receivable by an employee and sums due by way of expenses or allowances (as far as those sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Equity instrument: a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Estimation Techniques: methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Balance Sheet Date: events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

Exceptional items: are ones that are material in terms of the Council's overall expenditure for example expenditure in respect of emergencies or large-scale redundancies.

Expected Rate of Return on Pensions Assets: This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.

Expenditure: costs incurred by the Council for goods received, services rendered or other value consumables during the accounting period, irrespective of whether or not any movement of cash has taken place.

Extraordinary items: these are very rare. They are material items with a high degree of abnormality that arise outside the normal activities of the council and are not expected to recur.

F

Fair Value: the fair value of an asset is the price at which it would be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

Finance Lease: a lease that transfers substantially all the risk and rewards of ownership of a fixed asset to the body leasing the asset.

Financial Asset: a right to future economic benefits controlled by the Council that is represented by: cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity.

Financial Instruments: contracts that give rise to a financial asset of one entity and a financial liability of another entity.

Financial Liability: an obligation to transfer economic benefits controlled by the Council that is represented by: a contractual obligation to deliver cash (or another financial asset) to another entity, or a contractual obligation to exchange financial assets/liabilities with another entity.

G

General Fund: the main revenue account of the Council, which brings together all income and expenditure other than recorded in the Housing Revenue Account and the Collection Fund.

Government grants: grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Council.

H

Historical cost: the actual cost of assets, goods or services, at the time of their acquisition.

Housing Benefits: a system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account: a separate account that includes all income and expenditure arising from the provision of council housing by the council.

I

Impairment: a reduction in the value of a fixed asset, measured by specific means, below its stated carrying amount in the Balance Sheet.

Income: amounts which the Council receives or expects to receive from any source, including rents, fees, charges, sales and grants.

Infrastructure Assets: assets such as highways, bridges, street lights and footpaths.

Interest Cost (pensions): for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Accounting Standards (IAS): international accounting standards issued by the International Accounting Standards Board. They are authoritative statements of how particular types of transactions and other events should be reflected in financial statements.

Inventories: raw materials and consumable items which the council has procured to use on a continuing basis and have not been used by the end of the accounting period.

Investment Property: interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Investments: items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts).

L

Leasing: a method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright. The two methods are:

- *Operating Leases* – may generally be described as those which do not provide for the property in the asset to transfer to the Council, only the rental will be taken into account by the lessee ;or
- *Finance Leases* – are leases that transfer substantially all of the risks and rewards of ownership of the asset to the lessee. The asset is recorded on the lessee's balance sheet.

Lender Option Borrower Option Loans (LOBO): borrowing whereby the lender can opt to increase the interest rate payable at the end of the initial period. If the lender opts to increase the interest rate payable then the borrower can either agree to this

increase and continue to repay the loan up to the maturity date or can reject the new terms and repay the loan in full (without penalty).

Levies: similar to precepts, these sums are paid to other bodies. However, these amounts are not collected through council tax as with precepting bodies; they are items of expenditure on the face of the Comprehensive Income and Expenditure Statement. The bodies that charge a levy on the Council are the Tyne and Wear Integrated Transport Authority, the Environment Agency and the Tyne Port Health Authority and Northumberland Inshore Fisheries and Conservation Authority.

Liabilities: amounts due to individuals or organisations, which will have to be paid at some time in the future.

Long Term Assets: tangible assets which have value to the Council for more than one year, e.g. land, buildings, equipment.

M

Material: the concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP): is the minimum amount which must be charged to an authority's revenue account each year and set aside as a provision for credit liabilities (repayment of debt), as required by the Local Government Act 1989.

N

National Non-Domestic Rates (NNDR): a tax levied on business properties. It is organised on a national basis, with the levy on businesses being based on a notional rate in the pound set by the government multiplied by the rateable value of the premises occupied. This multiplier is set annually by central Government, and comprises of a standard rates multiplier and a small business multiplier. NNDR is collected by billing authorities on behalf of central government and then redistributed by central Government on the basis of population.

Net Book Value: the amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided by depreciation.

Net Realisable Value: the open market value of the asset in its existing use (or open market value in the case of investment Property), less the expenses to be incurred in realising the asset.

Non Current Asset: assets which have value to the Council for more than one year eg land, buildings, equipment.

O

Operating Lease: a type of lease where the ownership of the asset remains with the lessor and rental payments are recorded against services in the Comprehensive Income & Expenditure Statement.

P

Pooled Funds: established to support partnership working. A pooled fund will receive funds from a variety of sources and will be administrated by the host partner.

Precept: the charge determined by precepting authority's on billing authority's. It requires the billing authority to collect income from council taxpayers on their behalf. In the case of North Tyneside Council, the precepting authorities are the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority.

Prior Year Adjustments: material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of prior year errors. A prior year error may include the effect of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of fact, and fraud. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions: amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Private Finance Initiative (PFI): public authority / private sector partnerships designed to procure new major capital investment resources for local authorities.

Prudential Code: The current system on financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate by.

Public Works Loan Board (PWLb): a central Government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow for their requirements to finance capital expenditure from this source.

R

Remuneration: defined as sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Replacement Cost: cost of replacement of the asset at the balance sheet date.

Reserves: amounts set aside in the accounts to meet expenditure which the council may decide to incur in future period, but not allocated to specific liabilities which are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Retail Price Index (RPI): measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.

Revaluation Reserve: records unrealised revaluation gains arising (since 1 April 2007) from holding property, plant & equipment. This reserve is matched by fixed assets within the Balance sheet; therefore they are not resources available to the Council.

Revenue Contributions: method of financing capital expenditure directly from revenue.

Revenue Expenditure Funded from Capital under Statute: expenditure classified as capital for funding purposes but does not result in the creation of an asset (previously called deferred charges).

Revenue Support Grant: a central Government grant paid to each local authority to help to finance its general expenditure, as opposed to specific grants.

Ring-fenced: this refers to the statutory requirement that certain accounts such as the Collection Fund and Housing Revenue Account must be maintained separately from the General Fund.

S

Section 151 Officer: the council officer designated under Section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the council.

Service Concession: an arrangement whereby the Council contracts with a private operator to develop (or upgrade), operate and maintain infrastructure assets (in this case Schools and Street Lighting). The Council controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the contract.

Strain on the Fund: An early payment of retirement benefits for members aged 55 or over and under 60 generates a 'Strain on the Fund' cost. This results in the Council reimbursing the Tyne & Wear Pension Fund for the loss of employer and employee contributions and investment income which results from the employee retiring early.

T

Tangible assets: physical assets owned by the Council, which can be seen or touched e.g. buildings and equipment.

U

Unuseable Reserves: reserves earmarked for specific accounting treatments which are not available to fund general expenditure.

Useable Reserves: reserves that can be applied to fund expenditure or reduce local taxation.